The Family Council

A communication forum in the family business

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Acknowledgement

Abstract

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Title:	**The Family Council – A communication forum in the family business**
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Introduction: Family businesses differentiate themselves from other businesses by combining business and family. This combination creates a complex situation where the family members need to unified strive towards the same objectives. A forum could be needed to unify the family members, where they can discuss different opinions and concerns. Such a forum could be a family council. The family council is a relatively new phenomenon in Sweden and relatively little research has been undertaken in this area.

Purpose: The purpose of this thesis is to examine the role and the implications of family councils in family businesses. This will be investigated in a Swedish context through the study of three family councils.

Method: A qualitative approach was used to fulfill the purpose of this thesis. Interviews with eleven individuals were made to gather different perspectives of the family council and its relation with the business. The majority of the interviews were made face-to-face while two of the interviews were conducted via telephone.

Conclusion: The family council is created to provide the family members with a forum where they can discuss the business and owner issues, in addition it encourages the participants to communicate in a more professional manner. This forum is also a positive factor for improved cohesiveness in the family. Practical aspects of the family council are to be determined by the particular family since it is important that the structure fits the specific family. Further, the family council has a positive influence on the family but the management team is not directly influenced. The forum has improved the communication among the family members. It has strengthened the bonds, brought them closer together, and increased the respect and trust among the family members. The family council has also been beneficial when it comes to conflict management since it has helped the family members to improve their communications skills and, as a result, they are better at handling and discussing the conflict(s) to find a solution. The family council facilitates for the communication between the family members to be open where none of the participants are afraid of expressing what they feel, think or believe.

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1 Introduction

This thesis will discuss and present the role of the family council for the family business and the owning family. In addition, it will introduce some practical and theoretical implications for families wishing to set up a family council. This first chapter will give a brief presentation of the topic, followed by the purpose of this thesis.

"Family businesses are different from other kinds of business[es] because they combine family and business" (Kenyon-Rouvinez & Ward, 2005, p. 4). This creates a situation where several different individuals with different needs and wants are gathered to strive for the same objective(s). To be able to work united towards the same goals the family members have to, according to Balshaw (2003) be unified in several different aspects. To unify the family members a forum which is part of the governance could be needed where the different opinions and concerns can be discussed. Such a governance forum would be part of both the cohesiveness of the family and the communication among the family members.

The governance in family businesses may not be as clear as in non-family businesses. This is, as indicated by Gallo and Kenyon-Rouvinez (2005), due to the fact that the same individual(s) can be owner, part of the management team and member of the board in contrast to the governance at a non-family business where those three roles normally are separated via different individuals. The family business could benefit from a governance structure that separates family issues from business concerns. This differentiation can take shape through a family council.

The family council, as stated by Balshaw (2003), serves as a forum where the family members get together and discuss, share and determine goals among the family members. The utility of the family council is a result of the complex situation within family companies due to the relations among the family members, but also between the family and the business and the non-family members. Poza (2007) argues that the main functions of the family council are to encourage effective communication among family members, to be a forum where possible conflicts should be solved and to educate coming generations. Balshaw (2003) claims that communication is invaluable in all situations and is an important factor for successful businesses. In a family business, where there are several family members (owners) with different opinions and visions, communication is crucial. For the family to be a resource for the business it has to communicate to be able to influence it in a unified way. According to Melin & Nordqvist (2007, p. 8), "[t]he family council is a unique governance practice increasingly common in family businesses". It is, as further stated by Melin and Nordqvist (2007), part of the family governance structure which implies that it is a forum for discussions concerning the structure of and the direction for the business through which the family influences the business. The family council is a relatively new phenomenon in Sweden and relatively little research has been undertaken in this area. The awareness and knowledge of this phenomenon is limited among family business owners, hence they do not apply such a forum. Spreading of both awareness and knowledge concerning the role of the family council is needed, since this might broaden its application. This in turn may lead to that more family businesses may endure successfully through several generations. The family council might be invaluable for both the company and the family if managed in an appropriate manner.

The phenomenon of family council of deserves some attention through studies and research to gain theoretical and practical insights. This thesis will contribute to the develop-

ment of this area in a Swedish context. The thesis will be of interest not only for those family businesses which are thinking about creating a family council but for all family businesses. This may be the first contact business owning families or external managers have with this kind of forum and perhaps this thesis will help them realize that this is a forum that could be beneficial in their organization.

1.1 Purpose

The purpose of this thesis is to examine the role and the implications of family councils in family businesses. In order to meet this purpose, Swedish family businesses with a formal family council will be examined.

2   Frame of References

This section will present the main areas of this study through the work of previous studies and researches. It will start out with a presentation and definition of the concept family business which will be followed by a section introducing and discuss the corporate governance and how it differs in family businesses compared to non-family businesses. These two sections are to facilitate the understanding and the relation between the family business, the corporate governance and the family council. The next part will present the family council and the final the different aspects of communication will be presented. After the two key parts for the analysis, family council and communication, the research questions will be stated.

2.1   Family Business

Family businesses differentiate themselves from non-family businesses in various ways and the combination of family and business is one of the main distinctions. As stated by Sharma (2004) one, single definition of family businesses does not exist. Nevertheless, this does not mean that there are no definitions – rather there are several. The main purpose of defining family businesses is to distinguish them from non-family businesses. Many of the definitions deal with the family and its significant contribution to the vision and the control mechanisms. According to Nordqvist and Melin (2002) many definitions also argue for involvement of family members in the business operations and at least 50% ownership. Westhead, Cowling and Howorth (2001, p. 375) define a firm as a family firm if "more than 50% of ordinary voting shares are owned by members of the largest single family group related by blood or marriage […] and the company is perceived by the chief executive/managing director/chairman to be a family business". This is the definition that will be applied in this thesis.

The family business is "a complex system of interdependent sub-systems" (Kenyon-Rouvinez & Ward, 2005, p. 6). Each of the three sub-systems has their own needs, goals and believes and hence this can create tensions within the comprehensive system. In addition, Poza (2007) further explains, the three sub-systems, family, owner and business (se

figure 1), are both separated and strongly linked to each other. Due to this the sub-systems can not be understood separately from the entire system and, as a result, to properly understand the family business it needs to be considered as a complex and dynamic social system.

Hall (2001) argues that the strong interrelation between the different sub-systems is an outcome of the fact that they to a large extent are composed by the same individuals. This can cause conflicts since individuals may be "positioned" in different areas in the three circle model (figure 1), have different roles, and hence perceive the business differently. She further explains that

Figure 1: Three Circle Model; Gersick et al., 1997.

depending on the roles an individual possesses the complexity of the situation for that individual varies. Hence the most complicated situation is a simultaneous combination of all roles; family member, owner and working in the business. By identifying the three sub-systems and the roles, Gersick, Davis, McCollom Hampton and Lansberg (1997) argue, the complexity decreases and it becomes easier for the individuals to understand why and for what reason certain things happen.
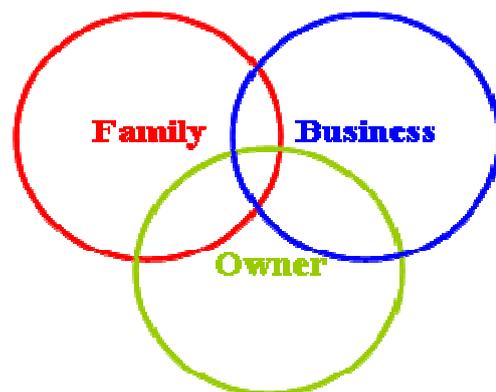
2.2   Corporate Governance

According to Nordqvist and Melin, (2002), the term "corporate governance" has only been used for roughly the last two decades and even today researchers and scholars are being put to the task of what the concept actually means and refers to in practice and reality. The same authors argue that the term corporate governance can be thought of as an umbrella which covers issues concerning the relations with the senior management, board of directors, shareholders and other stakeholders connected to the business. As stated by Neubauer and Lank (1998, p. 60), "[c]orporate governance is a system of structures and processes to direct and control corporations and to account for them".

 The area of corporate governance is somewhat complex and it varies a lot between different countries. The underlying theories, according to Mallin (2004) of the development of the corporate governance are foremost the agency theory but also the stakeholder theory and the theory of transaction cost economics are important. Depending on the country and its specific situation, culture and legal system, the procedure of the different theories connected to corporate governance and its development differs. Mallin (2004) further points out, due to the fact that these three different theories have had an impact on the development of the corporate governance, it shows that it has been dependent and influenced on different kinds of disciplines including finance, accounting, economics, management, law and organizational behavior.

A basic assumption concerning corporate governance is that the different roles of ownership and management are held by different individuals. Melin and Nordqvist (2000) point out that this is reflected in the Swedish law, which presuppose a clear separation of the roles of ownership and management. However, as indicated by Nordqvist (2007), in family businesses the different roles of ownership and management are often held by the same individuals. Through the different roles, Melin and Nordqvist (2000) imply, the family members (the individuals) are able to influence and control the business either as merely being owners or by being owners and managers. Normally, through the separation of roles, there is a distinct chain of command between the owner(s), the board of directors and the management team (see figure 2A) However, in family businesses, as mentioned, this chain of command often involves the same individual(s), hence the family business does not correspond to, as stated by Melin and Nordqvist (2000), the "normal" chain of command (see figure 2B).
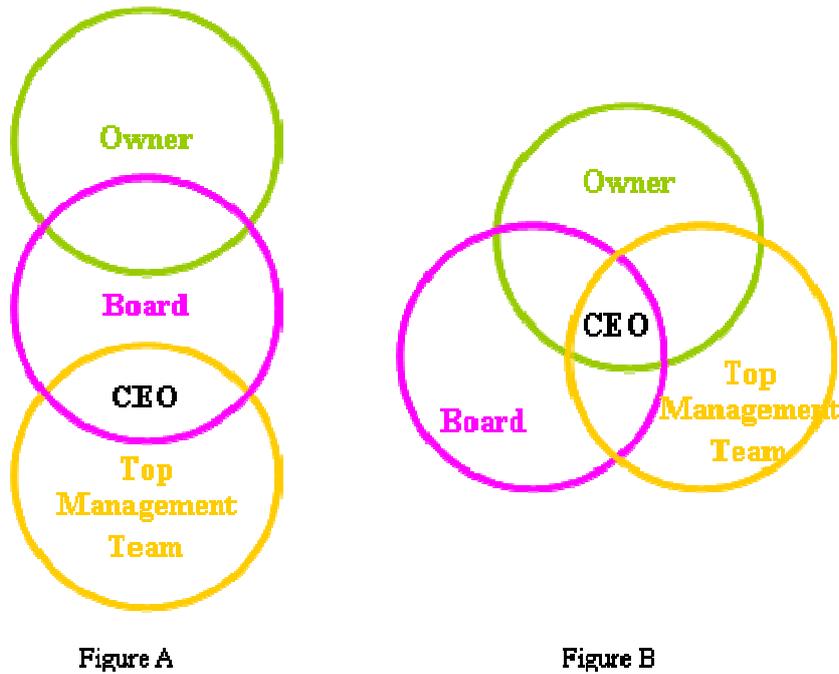
Figure 2: Structure of the Corporate Governance; Nordqvist, 2007.

Due to this overlapping of roles among the family members and the family's strong influence and control of the business, "[f]amily firms face specific challenges regarding how to gain and maintain legitimacy" (Hall, Melin & Nordqvist, 2006, p. 260) and are often, as argued by Hall (2002), thought of as being irrational. She further points out, that this view of family businesses is often a result of the mixture of family and business. As indicated by Kets de Vries (1996), the belief that in family firms the family reasons dominate the business logic causing the interest of all stakeholders to be neglected. Hall, Melin & Nordqvist (2006) argue that there are different tools, practices and actions that the firm can adopt and implement in order to increase its legitimacy. To include outsiders (non-family members) on the board is a first step. Family businesses have a lot to gain by opening up for "external influences, with stimulation, competent advices and exchanges of experiences and also a certain amount of external control" (Melin & Nordqvist, 2000, p. 47; Björn & Stenström, Trans.).

As stated by Ward (1997b), as the family business and the family grows often more and more family members are included on the board of directors. This leads to an oversized board, run by the family, which is inappropriate to deal with a growing company and the problem that it includes. A downsizing, Ward (1997b) continues, is needed as well as inclusion of external board members. When decreasing the number of family members (and owners) on the board of directors a forum becomes important for the family members to discuss the business and through which they can influence.

Poza (2007) argues that at board meetings is it not recommended to discuss family issues, such as emotions and conflicts, since it may affect the neutrality of the meetings. This may lead to that the meeting loses its ability to serve the business as well as other shareholders. Family concerns and issues, he continues, should instead be raised and discussed at a certain family forum, for instance at a family council. The business and its owning family can, as stated by Aronoff and Ward (1996), best be served by the board of directors and the management team if the family members are able to speak unanimously concerning various topics involving family opinions.

To have a constant communication, Neubauer and Lank (1998) argue, between the family council and the board of directors is essential (since this is where decisions are taken). It is important to make sure that the family values and visions are communicated to the board of directors to ensure that the business values and vision is in line with the ones of the family. The board is responsible, according to Poza (2007), to encourage and preserve the values, the family harmony and the long-term commitment to the business. The family council and the board of directors' relationship must be clearly defined to preclude an imbalance between the different roles (family, ownership and management) otherwise, as stated by Poza (2007), the business could be affected in a negative way. It is important to keep in mind that "[t]he role of family, board and management are separate and distinct, yet complementary and mutually supportive" (Aronoff & Ward, 1996, p. 14).

The differences between the family council and the board of directors are many; some of the most important in this context will be presented below.

- A fundamental difference is that the board of directors is a legal obligation which is, as implied by Ward (1997b), not the case of the family council. The legal aspect of the board provides it, according to Poza (2007), with unique rights and responsibilities to evaluate the CEO's and the business's actions and performance.
- One of the main duties, as stated by Ward (1997b), of the board of directors is to represent the interest of the shareholders and all the stakeholders, while the family council is a communication and discussion forum for family members.
- The financial situation and the strategy are monitored by the board, while, as stated by Poza (2007), in the family council family values and relations are heavily emphasized.
- The board focuses on business matters, not family matters (Neubauer & Lank, 1998).
- Communication and education are, according to Poza (2007), two important focuses in the family council. Communication is important on the board of directors as well, but in this forum it is more about applying knowledge and experiences that is beneficial for the business.
- At the board, Poza (2007) states, only a few capable family members (often appointed at the family council) is present to represent the family, while in the family council all family members may be present.

To sum up, the main difference between the corporate governance at a non-family business and a family business is that the corporate governance in the latter kind of business is more blurry. The different roles (owner, members of the board, and management team) are often possessed by the same individuals while in the non-family businesses the different roles are normally possessed by different individuals. This leads to that the family business is often inconsistent with the "normal" chain of commands. As a result, it is easy that family and business issues are mixed and influence each other in a less positive way. To resolve this, to keep family issues and discussions out of the business, it might be useful to create a governance body (a forum) where family issues can be discussed and agreed upon and through which the family can influence their business. This governance body could be a family council.

2.3 Family Council

The family council is, as argued by Gallo and Kenyon-Rouvinez (2005), an important part of the governance of the family business. Governance research has, as mentioned above, been a topic of discussion over roughly the last two decades, whilst the focus of governance in the family business, according to Lank and Ward (2000), has only been an area of interest for the past decade. However, as stated by Nordqvist and Melin (2002), the literature concentrating mainly on the particular problems/issues concerning governance of family firms are limited and the existing literature on corporate governance might not be sufficient for analyzing family business. Nevertheless, Neubauer and Lank (1998) further point out that the aspects of governance have not been absent in the family businesses, rather they may not have adapted the formally recognized governance system. A well functioned governance structure is an essential part of the business since that may be a key issue for a successful business. One of the most important components of the governance in family businesses, as argued by Lank and Ward (2000), is the family council which serves as a meeting where the family discuses issues concerning the firm. As stated by Balshaw (2003), as the business ages, more family members become involved and all may have somewhat different opinions that they want to express which can cause disagreements and conflicts. Hence, a forum is needed, according to Dwyer (2001), where discussions concerning different perspectives of the business can be held and disputes can be aired. Gallo and Kenyon-Rouvinez (2005) further imply that the family council governs the relationship among the family members, anticipates as well as prevents conflict between them and governs the relation between the family and the business. The family council is a preeminent place, as stated by Gersick et al. (1997), to discuss opinions and reactions among different family members, objectives and to communicate openly about the future.

As mentioned above by Gallo and Kenyon-Rouvinez (2005), the family council is part of the governance of many family businesses; more precisely it is part of the family governance. However, the family council is, as stated by Melin and Nordqvist (2007), not formally part of the legitimate governance. The function of family governance is, according to Gallo and Kenyon-Rouvinez (2005, p. 53), "to achieve, maintain, and increase family members' unity both among themselves and with their family business". There are, as argued by Neubauer and Lank (1998), different family governance institutions, highly formalized as well as the opposite – highly informal. This thesis, however, will focus on the formal family council since, as stated by Gallo and Kenyon-Rouvinez (2005), when it comes to family governance, it is the most important body and is, as stated by Melin and Nordqvist (2007), increasing in usage among Swedish family business owners.

According to Danco (1980), every family is unique, and so is the business, therefore different types of meetings will be held at different businesses' family council. Some families are comfortable with informal, open meetings where the discussions are free and very lively, while other families feel the need of more structured and formal meetings. Balshaw (2003) points out that it is the culture of the family that sets the openness and the structure of the family meetings. According to Gersick et al. (1997), the family, its culture and the development of the business is important to pay attention to when forming and running the meetings. Depending on the bonds among the family members, it may be more or less awkward to discuss certain sensitive issues. Hence the forum (the family council) should be designed and structured to make all family members satisfied and comfortable, it is important that the structure fits the particular family. Gersick et al., (1997) further state that the meeting will run more smoothly if/when the participants feel comfortable. When the participants feel comfortable the discussions of issues covered will be more in depth and pos-

sible conflicts that may arise will be solved in a proper manner. It is important to make everyone know and feel that there are no dumb questions and make everyone feel appreciated, valuable and relaxed.

To facilitate for the family council meetings to run smoothly it is recommended, by for example Aronoff and Ward (1992), to develop and follow an agenda for each meeting. They further argue that it does not only help to keep the discussion on track and the members to stick to the predetermined issues, but also, as stated by Gersick et al. (1997), makes it easier for the individuals to understand the purpose of the meetings. Aronoff and Ward (1992) further state that the agenda should cover topics that are of concern for all the participants and the objective of the meeting should be clear. As mentioned in Shanker's (2000) compilation of advises to family businesses, to make the family council meetings more effective the goals, functions and activities should be specific in context to the business and the family. Nevertheless, Aronoff & Ward (1992) point out that the goals should be realistically set and appropriate in accordance to the situation of the business and the owning family.

2.3.1 The Main Function of the Family Council

The family council provides, as argued by Gersick et al. (1997), a forum where family members can come together to discuss and express various opinions, values, needs and expectations in relation to the business. This in turn can lead to the development of policies and common beliefs to preserve the interest of the family. Families that build on their common foundation are, according to Aronoff and Ward (1992), more successful than those who focus on the differences among them. The same authors further point out that family councils provide a powerful vehicle for family members to strengthen their bonds and to create cohesiveness in the family.

The family behind a family business is composed by several individuals with different relation with and perspectives on the business (see figure 3) as well as different needs, desires and vision for the business. These different perspectives and views of the business present, according to Poza (2004), a need to establish a system or a forum where these can be discussed. He further points out that such forums, involving family members, "can increase trust, a sense of unity, and commitment to goals" (Poza, 2004, p. 161) which eventually lead to increased commitment. Neubauer and Lank (1998, p. 71) believes that "families who wish to continue as managers and/or owners
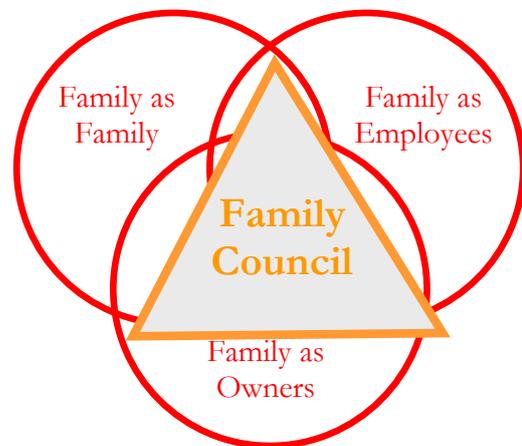
Figure 3: Modification of The Family Council; Lank & Ward, 2000.

of their firm increase the probability of being able to do so if they themselves are strong, cohesive and appropriately 'enmeshed'". The greatest resource a family business can have is, is as stated by Aronoff and Ward (1992), a healthy owning family with shared, strong beliefs and values. The family cohesiveness, Poza (2004) further argues, is also an important factor in the relation between the business and the family and hence is an important feature when it comes to capitalize family members' contribution with unique resources and capabilities. Accordingly, the business can translate core competences of the united family into competitive advantages.

For the business to be able to take advantages of the resources presented by the family members it is important that they are unified and that they are able to speak with one voice. To be able to speak with one voice, Frankenberg (1999) states, the family has to discuss through various issues and reach a consensus, and a family council represents a good forum where these discussions can take place. Aronoff and Ward (1996) also point out the importance of a cohesive family and that it influences both the work of the board of directors and the management team. More precisely they declare: "Directors can best serve those business-owning families who can speak with one voice, or at least have made an honest effort to reach consensus on the family's vision, values and goals" (Aronoff & Ward, 1996, p. 41). An important component for reaching consensus for all kinds of topics is to first listen to all voices. The family council allows for all family members, active or not in the business, to articulate their opinions, concerns and perspectives of the business, which often differ, as stated by Poza (2004), between the active and non-active family members. Non-active family members may recognize issues that active family members do not and without a forum for discussions of such issues, according to Frankenberg (1999), gossip, manipulation, emotional cut-off or even law-suits can occur. Hence, major conflicts may arise.

As mentioned by Aronoff and Ward (1992), disputes concerning various issues among family members need to be discussed and aired to prevent them from growing and festering. The family council represents a useful forum for resolving and airing differences among family members before they turn into crisis. Aronoff and Ward (1992, p. 14) continue and point out that "[a] key to successful conflict resolution is for family members to acknowledge conflicts early in the family-meeting process and to realize that it is normal – not something to hide or avoid". Conflicts are unavoidable among family members but they are not necessarily bad, as indicated by Neubauer and Lank (1998). The same authors also point out that there are several conflict management strategies, which will be further elaborated upon in later sections, and how a conflict is managed is an indicator of the health and strength of the family. Kenyon-Rouvinez and Ward (2005) argue that it is important to emphasize that one of the most common problems that can arises in family firms comes from the relationship between the family members and the business. The family council is, as stated by Balshaw (2003), invaluable when it comes to conflict solving. Possible disputes and conflicts should be discussed and solved at this forum, since this is where all the concerned – the family members – are present.

The family council also plays another relevant role, as mentioned by Gallo and Kenyon-Rouvinez (2005), by enabling all the family members to know and appreciate the business but also, as further stated by Gersick et al. (1997), educating them about the rights and responsibilities they have as owners. The function of the family council is even greater when there are family members who are neither employed in the business nor are part of the ownership, for example spouses. In addition, Aronoff and Ward (1996) state that in this way, the family council provides a chance for all members of the family to be heard and be involved in the business

2.3.2   Participants in the Family Council

It is just as important to decide upon how to structure the family council meeting as it is to decide where to draw the line concerning participation. Michaud (2004) points out that when determining which family members to include one should consider individuals that are currently involved in the business but also other family members that are "directly affected by the decision made regarding the business" (Michaud, 2004, p. 40). Depending on

which generation(s) that is (are) involved, different individuals should be included in the family council: siblings, cousins, aunts and uncles. Some families include spouses while others do not. To include spouses in the family council represents, as pointed out by Gersick et al. (1997), both advantages and disadvantages. Inclusion of spouses in the family council "may foster a spirit of openness" (Gersick et al., 1997, p. 239) and allows spouses to directly influence the business and avoid the development of dysfunctional family triangles. It may be hard and awkward to discuss issues, such as future succession, among the parent and the child(ren) if only one of the parents is to participate in the discussion. Aronoff and Ward (1992) also draw attention to the importance of including spouses in the family councils since that strengthen the family unity. However, Gersick et al. (1997) further argue that to include spouses might represent an obstacle when it comes to confronting disagreement, conflicts and rivalries among blood relatives. This opinion is supported by Neubauer and Lank (1998) who clearly are against inclusion of spouses. When including spouses, as stated by Aronoff and Ward (1992), the number of members of the family council may be so many that the meetings become less effective. Very large families may even exclude all family members who are not owners; hence the family council is more like an "owner council".

Besides determining who should attend the family council, Aronoff and Ward (1992) imply that it is also essential to decide at which age children are allowed to enter the family council. Many families allow children to participate at the age of fourteen to sixteen. Michaud (2004) further believes that including children and teenagers, into the council, gives them a change to learn about the business, its philosophy and family history and values even before they have the age to work in the business. In addition, Aronoff and Ward (1992), state that teenagers and children will recognize the importance of values and goals through exposure of these at the family council.

It is important for the family to carefully consider who should lead the family council. It may be presumed as implied by Ward (1997a) that the leader of the business also should lead the family council but he or she is not necessarily the most suitable individual. By having different leaders of the business and the family council, Gersick et al. (1997) indicate that a more clarified separation will be visible between the business and the family. Without this separation, a business leader who also leads the family council may cause unsuccessful family councils since leading a family and leading a business is two completely different things. However, as pointed out by Aronoff and Ward (1992), it is essential that the individual being in charge of the family council is respected by the participating family members and receives and is able to maintain attention from them. The family council provides the possibility to alter the leadership among the family members; a useful way of extension and improvement of leadership skills among the family members which is beneficial for the business and the family as a whole. The same authors talk about the leader as a family member, on the contrary however Dwyer (2001) argues that an external (non-family) individual is the best leader since he or she is impartial to the various issues discussed. However, as stated by Aronoff and Ward (1992), no matter who leads the family council, the most important is that the leader is accepted by all members and that he or she is an asset for a successful family council.

2.3.3 Creation, Frequency and Location of the Family Council

The question of when to start working with a family council is up to the particular family. Some families start, according to Aronoff and Ward (1992), having family meetings when their children still are very young, even though informal ones. They may start out with dis-

cussions concerning family matters such as assignment of chores or household rules. Ward (1997a) argues that through these informal familiar meetings the family members learn how to conduct well-run meetings, the importance of staring on time, to listen, to follow up decisions and the logic of each others. This becomes a foundation for future discussions and decisions concerning the business in the family council. However, as he further implies, others implement family councils or other types of family meeting when a change is approaching, such succession or a major reorganization of the business.

When the owning family reaches a certain number of members, Kenyon-Rouvinez and Ward (2005) argue, the relations and the ownership becomes more complex, and the need for a family forum arises. This complexity typically happens in the stage of cousin confederation (owners are in third or later generations) when there are many owners and as a result the ownership becomes dispersed and no one is in absolute control. To hold the family together and to work on the cohesiveness of the family it is useful, as stated by Ward (2004), to create a forum for articulation of family interests. According to Hess (2006), the family council has a great importance in the cousin confederation stage since it is essential, due to the size of the family, to educate and communicate with all family members about the current and future state of the business and its challenges and opportunities. In addition, it is important to spread and discuss family values since, as mentioned by Neubauer and Lank (1998), the individuals have not been brought up and raised by the same parents and are hence not brought up with the exact same values. The cousins may not be as close together and know each other as well as siblings might do, they may even be strangers to each other, creating a more complex situation for the owner group of the family business. The same authors further imply that this situation can make it difficult to create and maintain cohesiveness among the family members. Jealousy, frustration and other conflict related feelings might arise within the family and the business. Hence, a forum is needed where these issues can be articulated and discussed and where the family members can work on their cohesion.

The frequency of the family council meetings is, as indicated by Michaud (2004), dependent on the family and the complexity and severity of issues. Aronoff and Ward (1992) and Gersick et al. (1997) argue that on average family councils meet two to four time per year. However, as Michaud (2004) states, no matter how often the family council decides to meet, once or twice a year, quarterly or monthly, it is important that the meetings are held regularly. Gerick et al. (1997) further point out that regular meetings, preferable at predictable dates, are important for attendance of many family members.

As mentioned earlier it is important that the participants of the family council feel relaxed, and an important factor for this is the physical setting and location of the meetings. As implied by Michaud (2004), the best option is to not have the meeting at the business office, since it may discourage openness and mutuality among the family members but it may also, as further stated by Aronoff and Ward (1992) cause (negative) speculations among employees. Instead it is recommended, by for example Michaud (2004), to hold the family council meetings at a location which is quite and comfortable and where interruptions are minimal. Aronoff and Ward (1992) point out that many families have their meetings at a hotel or at a country club. Some even go away for a week end or for a couple of days to an adventure center to combine the meeting with fun activities bonding the family members together. Such activities are beneficial for the communication among the family members.

2.3.4 Issues to Cover at the Family Council

It is, according to Balshaw (2003), important to distinguish between the topics that should be discussed at the family council and those that should not. Business decisions and discussions concerning management issues should not be brought up at the family meeting. Aronoff and Ward (1992) further point out that it is important to establish and maintain a balance between business and family matters and this is essential to bear in mind when conducing and managing the family council – the business and the family are two separate topics to be discussed. Nevertheless, Aronoff and Ward (1996, p. 9) argue that "[l]ike yin and yang, family and business are equally important and require mutual respect and equal care".

At the family council issues such as family vision, mission, values, and policies should be discussed but this forum should also, as mentioned above, contribute to the creation of cohesiveness and resolving conflicts among family members (Aronoff & Ward, 1996). The basic values are composed by, according to Neubauer and Lank (1998), a set of beliefs held by the individuals behind the business. Astrachan and Stider (2005) argue that these values helps determine what is right and wrong, good and bad, and hence is a basis for actions within and in relation to the business. The family values should, according to Hess (2006, p. 25), "be the foundation […] upon which family decisions are made" and are the underlying principles that should be applied in intensive discussions and conflicts. As further stated by Astrachan and Stider (2005), discussing and routinely articulate the values strengthen the family and its harmony. It creates a mutual ground for the family members and provides a common starting point for decisions and actions.

Values and beliefs shift over times. The values are tighter in the first and second generation since, according to Ward (2004), the family members have grown up together and share the values shaped in the home. However, as the family grows, through marriages and births, new values are brought in and the children (cousins) do not grow up as tightly causing a diffusion of the values. Hence, as the same author further points out, the family needs to work on the values that should form their common value foundation. Aronoff and Ward (2001) state that the values represent a common lens through which the family members, who might have become disperse as the family grew, can view the future with a shared perspective. The family council is a preeminent forum where the values can be discussed and agreed upon since all family members have a possibility to express their concerns and opinions at these meetings.

Once a common foundation of values is present it is easier for the family to jointly form the family vision, mission and objectives for the business. Aronoff and Ward (1996) point out that many families are bonded together even more when discussing and formulating the vision and mission. Together with the values the family vision is a foundation for a unified family striving in the same direction. In addition, as argued by the same authors, it can help the family to understand that the business does not only present opportunities of employment but also to create something meaningful together as a family. As mentioned earlier, Aronoff and Ward (1996) state that a unified family with the ability to speak with one voice with the board of directors and the management team will be better respected and more of a resource for the business.

Succession is another important issue that advantageously can be discussed at the family council. Succession is, according to Davis and Klein (2005, p. 59), "the final test for any family business" and as such it needs planning. Preparation for succession is beneficial for the family as well as the business and the planning for the succession is an essential responsibility of the family business leader, but it is also, Hess (2006) further argues, an interest

and responsibility of the owning family. Aronoff and Ward (1992) point out that to decrease the likelihood of an abrupt, untimely or forced succession, liquidation or sale, it is important that the family begins to plan for the future. The same authors continue and stress the usefulness of a family council as a forum for discussing and planning the succession process since all family members, who all will be affected in one way or another, is present and hence have the opportunity to express his or her opinion.

The family council also has, as stated by Aronoff and Ward (1996), the important responsibility of fostering family education and information sharing. Over generations business owners learn and develop knowledge and skills concerning the business and the family values. This knowledge, what the business does and how and why it does it, needs to be transferred, as argued by Astrachan and Stider (2005) to all family members and coming generations. Family council meetings provide the opportunity to share and educate family members the history, stories, knowledge about the business and the industry, family values, vision, mission, etc. The family council also, according to Aronoff and Ward (1996) offers the opportunity for family members to educate and further develop skills in various issues such as leadership, conflict solving, and the importance of listening and accepting different opinions. Further more, Aronoff and Ward (1996) state that besides this, the family council increases the understanding of management, the functions of strategies and capital and it clarifies the distinction of different roles (family member, shareholder, director, executives).

Another task for the family council is to develop a family code of conduct which is, according to Hess (2006) a useful tool for educating the family members that are about to enter the company and have the willingness to operate actively within the company. As further argued by the same author, a family code of conduct is similar to the Ten Commandments, where it is clearly stated how the family should behave, what is acceptable and what is not within the firm. In accordance, Ward (2004) further argues that the code of conduct should also state how the family members should treat each other and how they should behave and meet the world outside of the business. Hess (2006) points out that as the number of owners and shareholders increases, and especially when the number of family members not involved in the business increases, the more important it becomes to have a family code of conduct. Ward (2004) argues that a family code of conduct will help family member to appreciate and accept each other and also to appreciate the importance of effective communication. He continues by stating that it also helps the individual to take on more responsibilities for themselves which is valuable in a family business, especially as it grows, it is also important that everybody feels valuable for the business so that not just the person in charge of the business is the with in power.

According to Hess (2006), the possibilities for conflicts arises when the business grows, and especially conflicts concerning financial and family equity, the allocation of wealth amongst the different generations, the choice of a successor and the distribution of power and control within and around the firm are likely to arise. A tool for trying to manage these different situations which might lead to conflicts is to have a well functioning family code of conduct. However, it might not be easy to implement a family code of conduct; the family might feel that it is unnecessary, because they have raised their family in such way that the likelihood of conflicts to arise is small. As mentioned above by Balshaw (2003), conflicts are unavoidable and arise in all family firms therefore a family code of conduct is useful as a foundation for the family when they arise. In the process of establishing a family code of conduct, Hess (2006) argues that there is a golden opportunity to teach the family member about the values, how to build consensus on important issues and also how to communication in a good way. One should not think that by establishing a family code of

conduct family harmony will appear right away, there might still be family members that are putting their own greed and ego before the family's values and goals. The same author further points out that inappropriate behaviors and violations on the code of conduct should not be tolerable; it will lower the standards of conduct.

Poza (2007) argues that the family council's primary focus is to ensure communication, provide a forum where family conflicts can be resolved and to educate the coming generation of family members. All these issues concerns family dynamics and matters related to being a business owner. The purpose of the family council is to give attention to both the future of the business and to the non-economic goals and values in the family business environment. The family council has thus, as stated by Allred and Allred (1997), the purpose to integrate the family values and the business needs. In addition, Poza (2007) claims, that the family council gives the family an opportunity to express their concerns and opinions concerning their business.

In summary, the family council is an important part of the governance, or more precisely part of the family governance, of the family business. It governs the relationship among the family members and has an aim of increasing the family cohesiveness. Besides this, the family council also facilitates to keep a balance between the family and the business and to support the relation between the business and the owning family. At the family council the family members come together to discuss and agree upon values, visions and expectations. The aim of these discussions is to reach an agreement upon shared beliefs and values which strengthen the family and enable them to influence the business unified. The family council is also a very useful forum for airing disagreement and resolving conflicts. In the discussions at the family council it is important that everyone feels comfortable to express various opinions, which may not be the case due to other participants. It is important to pay attention to who should participate at the family council. The inclusion of spouses can be both advantageous and disadvantageous and should therefore be carefully considered before decided upon. In addition, it is important to decide when children are welcome to participate at the family council. Just as essential is it to have a functioning leadership. The family council provides the family with the possibility to alternate the leadership which is a useful way to extend and improve the leadership skills among the family members. The family council meetings occur on average two to four times per year and the meetings are recommended to be held outside the business office. Besides discussing family values and visions, issues such as family policies, succession, education and information sharing, and the development of a code of conduct are covered in the discussions at the family council. These dialogues lay the foundation for the communication and the cohesiveness in the family.

Research Questions

The frame of reference regarding the family council leads us to the following research questions in a Swedish context:

- Why is the family council established, and what issues are brought up?
- What are the practical aspects (participants, location, creation and frequency) of the family council?
- How does the family council influence the family and the business?

2.4 Communication

The need for communication should be taken seriously since it is, as stated by Ward (2004) indispensable. According to Dainton and Zelly (2005) communication is the same thing as information, thus the communication process is where the information is being transferred from one person to another. Communication could be seen as what is done within an organization, hence a useful factor for successful businesses. Afifi and Nussbaum (2006) argue that communication is the foundation of the family and should therefore be taken seriously and maintained to keep the family bonds strong and reliable.

Ward (2004) argues that communication is an invaluable component in the recipe for a successful family business. When it comes to differentiate a successful and a non-successful family business, it always comes down to the communication. He further states that successful and healthy families have recognized and understood the importance of communication and how complicated, yet rewarding, it can be. There should not, according to Balshaw (2003), be any fear of bringing up a subject within the family that might cause a conflict to arise; a well communicated family business requires trust, vulnerability and the willingness to expose oneself to the rest of the family.

2.4.1 Obstacles and Factors for Well Functioning Communication

It is not just essential to have communication, but to have a well functioning communication and to be aware of the obstacles that might hinder the communication. As argued by Spector (2003), one major obstacle for communication in families is the hidden agendas. Hidden agendas occur when family members do not confront each other and are unwilling to tell each other what is on their mind. She further points out that if these kinds of issues are not being brought up straight away then it might eventually kill the company. In an example mentioned by Spector (2003) the father (the CEO) does not think that his daughter is competent enough to succeed him. The daughter, on the other hand, wants to take over, however the father and daughter do not talk about this issue and as a result they plan differently for the future – hidden agendas arise. This example is aligned with the argument by Astrachan and McMillan (2003, p. 18), that "don't always say what mean" which refers to when people are intentionally saying something to protect others or themselves from being hurt. This might create a difficult situation within the family since there is no certainty of what the person means with what was said.

Another difficult situation that may exist in a family business is, according to Astrachan and McMillan (2003), that family members get trapped into roles and the communication is created around those roles. This might especially exist in family businesses when there are multiple generations running and managing the same business and the younger person(s) might still be seen as the "little one" even though he or she might be the head of operations. An older sibling or relative might have a difficult time taking orders from this younger person, which creates communication being trapped into roles. The same authors continue by claming that this slows down and curbs open communication, which is one of the most important components for a successful business. The important thing, as stated by Balshaw (2003), is to keep the communication as open and wide as possible for beneficial conditions for a healthy and stable business and potential growth.

According to Astrachan and McMillan (2003, p.27) "You're too emotional. No wonder I never talk to you.", "Why don't you just snap out of it?", "You're just like your (mother, father, brother etc.)", "You're acting like a child" are quotations that are examples of expressions that have resulted in reduced or even destroyed communication within the family as

well as the business. The family members should work on improving the communication skills. Astrachan and McMillan (2003) state that improving the communicating skills should start by inventorying how well the family is communicating at present time to know where to start the improvement. When the communication is working properly in the family, it has the potential to passively influence the business. The improvement should start at the individual level since when individuals improve others tend to change as well. Listening to each other is an essential key to efficient communication. The same authors further argue for the importance to avoid misinterpretations. It is important to make sure to have the right information and listening to one another to get the entire story.

To have and sustain an open communication within the family it is important to nurture and put a lot of effort into learning communication skills and to improve the already existing skills. Ward (2004) argues that it is very helpful and powerful to have and learn (to develop) these skills together as a family. He suggests that effective listening skills are part of the crucial communication skills for a family. Listening creates trust, honesty and mutual support. He continues to imply that when a person is a good listener, it makes other people feel comfortable and important, and it helps to bring out and consider the diverse opinions within the family. It is also important not to base the listening and communication on the assumptions and roles that already exists within the family (mother, brother, uncle, cousin, etc.). As the family member's listening skills increase, they will learn to put assumptions aside and that in turn will enrich the communication within the family.

Balshaw (2003) states that one important factor of success in a family business is trust. Trust is what combines and glues the family together, and without trust the communication would not be effective and efficient, hence the information flow would be lost. He further states that it is essential to remember to maintain and build trust within the family which will enhance the communication. According to Astrachan and McMillan (2003), to be able to solve conflicts in the right way, trust must exist. "The best ways to create trust are to be trustworthy yourself and to extend trust to others […] Generosity builds trust, secrecy destroys it" (Astrachan & McMillan, 2003, p. 24-25). To build trust, there has to be generosity in several different dimensions; not just generosity with money, but also with information, time, spirit, love, caring and nurturance. Further more, they argue that it is important not just to be generous in one of these dimensions since that might result in that people may feel that there is a hidden agenda or a desire to control which should not be there. Balshaw (2003) argues that trust is created and further developed within the family through social activities where trust is unconsciously applied to different situations. Spending time together in an enjoyable environment enhances the individuals to rely on each other – to have fun is important – and as a result do not hesitate to discuss various issues. Astrachan and McMillan (2003) further state that in a family business the communication should be open and trust will help to create the state of open communication.

2.4.2 Conflict

Tensions and conflicts are part of life. In a business family, as stated by Balshaw (2003), conflicts are unavoidable and can concern both family and business issues and exist in both family and work relationships. This fact is not something new, as argued by Freud (in Moores & Barrett, 2005), conflicts and tensions between love and work is the foundation for the intensity and bonds between the family and work relationships. He also argued that the main sources of self-esteem and pleasure in life are love and work; hence satisfaction will only be achieved when there is a balanced relationship between these two.

Family businesses face many difficulties and most of them have to do with conflicts which usually, according to Hilburt-Davis and Dyer (2003), are results of and caused by behavioral or communicational problems. As mentioned above by Balshaw (2003), conflicts are unavoidable in a family business; however they are not impossible to overcome or resolve. Spector (2003) claims that a conflict may not only be a negative aspect for the business; if the conflicts are taken care of correctly then it could be thought of as a provider of opportunities for constructive change. Another positive aspect of conflicts are the fact that a company's performance might increase due to "increasing options, by preventing premature consensus, and by increasing involvement and motivation of family firm members" (Kellermanns & Eddelston, 2004, cited in Moores & Barrett, 2005, p. 68). The resolution of conflicts among family members, as argued by Astrachan and McMillan (2003), often create better outcomes then if a compromise takes place or if someone surrenders, in addition conflicts may strengthen human relationships. The vital action to take, according to Spector (2003), within a family business is to develop specific rules and guidelines for dealing with conflicts (conflict management) when they arise since this will make it easier to coop with them. Another important component to consider, she argues, is that possible conflicts should be dealt with and solved at the office rather than at home.

According to Hilburt-Davis and Dyer (2003) there are both simple and complex conflicts. The difference between the two is that simple conflicts does not really involve the family's emotional history and usually concerns common sense solutions. The business decisions and situations are usually not being effected by this kind of conflict among the family members. The same authors further state that the complex conflicts, on the other hand, involve a lot of emotional issues that are hindering resolutions of important business decisions. In the latter case are the business and the family issues entangled together in a way that is not very productive.

Moores and Barrett (2005) argue that different types of conflict can be dealt with in various ways, for example by encouraging long- or short-term goals perspective. The same authors further claim that all conflict should be resolved somehow to possibly create positive outcomes from a disagreement or a conflict. According to Aronoff and Ward (1996) the family council serves as a forum where conflicts can be handled.

2.4.3   Conflict Management

To be a successful family business in the long-run, Martin (2001) claims that the governance structure must be structured in a way that enables handling and overcoming of conflicts that may arise between the family members. As mentioned above, trust is an essential characteristic of the family business, and when it comes to solving conflicts, it is a valuable component. The more trust that exists within the family, the easier it is, according to Spector (2003), for the family to solve possible conflicts that might have risen within the family.

When a conflict arises, it needs to be solved in order for the business to carry on as usual, and one way of dealing with conflicts is to implement a conflict management strategy. There are several conflict management strategies, however Neubauer and Lank (1998) present a model containing three different strategies; *avoidance, referral* and *confrontation. Avoidance*, according to these authors, is where the parties involved may choose to ignore the conflict; however it does not mean that they do not know that it exists, rather they might not have the courage to confront the other party or they might feel it is not important enough to deal with. *Referral*, on the other hand, is where the parties are aware of the conflict, however they are unable or unwilling to resolve it. This is typical for family members,

between siblings or parent-and-child relationships. The third strategy of conflict management, mentioned by the same authors, is the *confrontation* strategy which applies to the most severe conflicts. This involves face-to-face confrontations to identify the basic problem, what caused it and alternative solutions. The conflict should be approached before it reaches unmanageable propositions. This process is not easy to handle by the different parties at all times; however there are facilitators to get assistance from in such situations. Neubauer and Lank (1998) continue to argue that to deal with conflicts is never easy. As the enterprise ages, the more people become involved in the ownership, hence more conflicts are likely to arise and the more difficult it becomes to deal with them. This increases the importance of having a conflict resolution mechanism, especially in a family business due to the complex situations that are created within a family owned business in comparison to a non-family owned business.

Eckrich & McClure (2004) argue that the greatest source of difficulty for non-family managers and non-family employees in a family business is the conflicts among the family members that may arise. There is a high level of discomfort being around when siblings are fighting or arguing, or when a parent and child are having a dispute. When it comes to conflicts within a family business, Spector (2003) states, most of the conflicts are resolved within the family before any non-family members even are aware of them. A non-family manager should not intervene in a conflict when the conflicts are about something outside of the business. However, she further points out that the non-family manager should not be afraid of intervening when a conflict situation arises that concerns the business, he or she should recognize when there is a need to go in between the parties.

To summarize, communication is an indispensable component for a successful family business and should therefore be taken seriously. It is crucial to support and maintain communication among the family members to be able to stay strong as a family. There are obstacles in order to achieve well functioning communication which is important for the family member to be aware of to be able to manage and overcome these barriers. The family members should not feel any fear of bringing up sensitive and private issues that might cause a disagreement or a conflict to occur. Disagreements or conflicts should be nursed and handled in a way that might be advantageous for the future. If there are differences in opinions they should be brought up to the surface right away instead of being carried around and causing bad feelings. It is important to deal with disagreements and conflicts in straight away to oppose it from becoming a big problem within the family which might have a negative affect on the business, the operations and the future. Bringing up the conflicts right away gives the family the possibility to resolve them in a sensible manner and to be able to take advantage of them at a later stage in the family as well as the business's life time. Conflicts could be handled in many ways, however it is not always easy to handle and deal with conflicts and when a conflict becomes unmanageable there are facilitators to utilize and get assistance from. To improve and learn listening and communication skills is crucial and hence a facilitator can help the family members to work on this which might be beneficial since people easily trapped, along with the communication, in different roles which might cause tensions in the communications. Trust is the foundation to good and tension-free communication. A good way to create trust is to exercise activities outside the meeting at, for example, an experience center. When there is trust among the family member then the communication becomes more open and freer. Finally, it is crucial to realize the benefits with a well functioning communication and what impact that it can have on the business and its future as a family business.

Research Questions

The frame of reference regarding the communication within the family council leads us to the following research questions in a Swedish context:

- What does the communication look like between the family members in the family council?
- How has the family council affected the communication and the management of conflicts?

3 Method

The purpose of the method section is to make it possible for the reader to understand how the study was carried out to be able to evaluate its trustworthiness. The major parts in this section are: qualitative research, the process of gathering and analyzing empirical material and trustworthiness.

3.1 Qualitative Research

The aim of this thesis is to uncover the role of the family council and to deepen the understanding of this phenomenon. When the focus of the research is to uncover and understand a phenomenon Ghauri, Grønhaug and Kristianslund (1995) argue that a qualitative research method is required. Qualitative data is useful for this thesis since it describes, communicates and captures the situation and experience of the interviewees, as argued by Patton (2002), in contrast to the quantitative method which has a larger focus on facts, testing and verification, as pointed out by Ghauri et al. (1995). In addition the quantitative research method needs, as stated by Patton (2002), measures that are standardized to be able to fit in and list the collected material into different categories, which is not suitable for the purpose of this study.

When it comes to qualitative research usually a lot of information and material is collected, and there are, according to Hardy and Bryman (2004), more often than seldom a surplus of material gathered. Richards (2005, p. 33) supports this view and points out that "[t]he challenge is not so much making data but rather making useful, valuable data, relevant to the question being asked". Often, Richards (2005) further indicates, the gathered qualitative material is messy and this is a result of lack of clarity of the material needed to answer the research question(s). To facilitate the work with and the handling of the material collected, Hardy and Bryman (2004) argue that the researcher(s) should split it into categories or themes to simplify the transcribing process. The information gathered at the interviews for this thesis was separated and united into two distinct coherent and related themes with information; family council and communication. The groups of information were very helpful when working with the management process of the empirical material and when transcribing the interview material into coherent text.

Qualitative findings derive from, according to Patton (2002), three different kinds of data gathering methods: (1) interviews, (2) observations and (3) written documents. Even though it would have preferable to use all of these three methods, to be able to present the most appropriate picture of the role of the family council, were limited to interviews due to limited access of resources. The World Wide Web was used to get an understanding of the companies and to be able to shortly present them.

3.2 Empirical Material

The empirical material is one of the main components of an investigation and how and from where it is gathered is important for the conclusion of the study. This study is based on the information gathered through interviews at three different family businesses. The three businesses are Löfbergs Lila, BIM Kemi and EL-Björn and they will be presented shortly later on. The companies were selected due to their existing, formal family council while the individuals at each business were selected by the person contacted by the authors. The contact person was asked to select three to four individuals who should fulfill the following requirements; one of the participants should not be a family member but work in the business (preferably at the board of directors or in the management team) and is thus

affected by the family council. The other individual(s) should be family member(s) participating in the family council. Among the family members the authors wanted someone who only participates in the family council and someone who participants in the family council and is employed in the business. With these criteria, four people from Löfbergs Lila and EL-Björn and three individuals from BIM Kemi were interviewed, out of these one from each business were part of the management team. These individuals and their roles and relations to the companies and families will be presented in the Empirical Findings section further on.

3.2.1 The Interviews

The empirical material for this thesis was collected through interviews. Interviews are, according to Richards (2005), the dominating method when collecting material for qualitative research but the interviews can be accomplished and structured in various ways. As stated by Ghauri et al. (1995), interviews can be carried out via mail, phone or through a personal visit (face-to-face). The majority of the interviews for this thesis were performed face-to-face since this type of interview allows for, according to Lekvall and Wahlbin (2001), more personal reflections and the questions can be further explained to get the most appropriate answer. However, due to convenience of the interviewees three of the eleven interviews were conducted via telephone. Weiss (1994) argues that telephone interviews are the second best interview method, after face-to-face, since it also provides the researcher(s) with useful and suitable information. Even though the authors would have preferred to do the interviews via personal meetings, the telephone interviews were a good alternative when the interviewees were not able to meet face-to-face. These interviews were almost as rewarding and enriching for our understanding as the other interviews. On average, the time spent on the face-to-face interviews was approximately 45 to 60 minutes and the telephone interviews took approximately 30 minutes. The telephone interviews had a disadvantage; they were shorter due to the fact that the interviewees had less time available and they did not develop their opinions and thoughts to the same extent as at the personal interviews.

Just as the interviews can be conducted in different ways, the structure can differ. The interview can, as argued by Welman, Kruger and Mitchell (2005), be structured, unstructured or semi-structure. The structured interview follows a prepared set of questions and the interviewer should only ask these questions. On the contrary, the unstructured interview is more informal and "used to explore a general area of interest in depth" (Welman et al., 2005, p. 166). In this type of interview the interviewer does not follow a prepared set of questions but he or she must still, according to the same authors, have a clear understanding of the area of investigation. When performing an unstructured interview Ghauri et al. (1995) point out that the respondent has large freedom to discuss the issue and his or her opinions concerning the subject. None of these structures were appropriate for this thesis since the purpose needed a more flexible structure while at the same time it needed to be organized. Between these two broadly separated interview structures there is a third type; the semi-structured interview, the kind of structure used for this study. In this type of interview the interviewer has, according to Welman et al. (2005), an interview guide to follow which covers different topics, aspects and/or questions to be raised at the interview, hence the aspects and questions provide the interviewer with a base for the interview(s). The same authors continue and state that the questions asked at different interviews may differ and can be adapted to the particular interviewee and his or her knowledge or situation. At the interview the questions were used as a starting point and the respondent had the freedom to elaborate on the various issues brought up during the meeting and possible attendant questions were asked. The structure used for the different kinds of interviews, per-

sonal or telephone interviews, did not differ since the same questions were asked, hence the respondents had the same opportunity to explain and talk more about the various topics. Nevertheless, it was easier to have the interviewees to elaborate more on the issues when having a face-to-face interview compared to a telephone interview.

The questions at the interview can be of different natures. Closed-ended questions are, according to Welman et al. (2005), questions with a limited range of possible answers. Together with the questions are choices of alternative answers for the interviewee to choose between. This approach was not used for this thesis; instead the participants were asked open-ended questions. Open-ended questions may, as indicated by Ghauri et al. (1995) and Welman et al. (2005), generate a large amount of variations in the answers since the interviewees have to formulate their responses themselves and can thus answer just as and what they like. The open-ended questions were most appropriate for this thesis since the authors believed that this type of questions would provide us with more correct answers and also allow for a deeper understand of the family council and the communication among the family members. The respondents also got more freedom to elaborate on the subject and argument for their opinion, hence the discussions became freer and more open with the open-ended questions.

3.2.2 Convenience Sampling

Blaxter, Hughes and Tight (2001) argue that there are several different kinds of sampling strategies to use when collecting data. In addition, Ghauri et al. (1995) state, that there are mainly two different groups which the strategies could be divided into – probability and non-probability sampling. Probability sampling, where the random sampling approach is the most common and most frequently used, is where the data is basically randomly chosen by chance and all units have the same chance of being chosen. The same authors further point out that with a non-probability sampling approach, on the other hand, the probability that a specific item will be picked is unknown.

As stated by Blaxter et al. (2001), the approach among the non-probability sampling strategies that is most frequently used is the convenience sampling. The convenience sampling approach was used in this thesis and, as the name implies, the selection is made based on time, money, availability, location, respondents and so forth, as stated by Merriam (1998). In agreement with this "convenience sampling is neither purposeful nor strategic" (Patton, 2002, p. 242). Family businesses exist in a large scale all over Sweden; however there are a limited amount of those that have a formal family council. Convenience sampling was appropriately used due to the limitations of this. Hence, the authors did not chose the companies by random, but rather by convenience, based on the appropriate characteristics of an existing, formal family council, that also had the willingness and time to contribute to this thesis. The internet was used to find family businesses and over forty different companies were contacted by email and asked if they had a formal family council, out of these approximately fifteen replied positively to this question. However, when asked if they wanted to participate in this study only three replied. Hence, these companies were selected since they were the only option. This did not cause a major problem, but the authors would have preferred to be able to choose among family businesses to get a variation concerning different factors. As it turned out, the three companies participating were represented by different generations and had somewhat diverse structures which provided an opportunity to study various practices.

3.3 Analysis of Empirical Material

"Qualitative research is characterized by a 'fluid, interactive relationship' between data collection and data analysis" (Hardy & Bryman, 2004, p.533). This needs to be understood when it comes to understanding, explaining and performing the management process of the empirical material. Hence, the process of managing the material is defined as "the operations needed for a systematic, coherent process of data [material] collection, storage and retrieval" (Huberman & Miles, 1994, p.428). Stouthamer-Loeber and Bok van Kammen (1995) point out that management of the material is a process of collecting, coding, checking, and documenting the information gathered. This process is time-consuming and usually underestimated by the researcher(s). The management process and interpretation of the material should be carefully scheduled and organized before the project starts to be able to accomplish it in the best way possible. Huberman and Miles (1994) state that the material collected from the interviews is not immediately ready for analysis; therefore a process of getting the information prepared for the analysis is required. This process should consist of editing, correcting, reducing and extending the information to make it fit the purpose. Stouthamer-Loeber and Bok van Kammen (1995) argue that the information should be properly organized before it is coded and transferred into a coherent text that will be available for the analysis. In addition to this, Hardy and Bryman (2004) also point out that the early decisions of how to collect and analyze the material might have long-term analytic consequences, hence it is important to plan from the beginning.

The material gathered was prepared to make it understandable, first by listening to the recorded interviews and making sense of the notes made during the interviews. After listened to and transcribed the taped interviews, the raw material was clustered into groups of themes; the information was coded into text to make it understandable and easy to read. Since the interviews were done in Swedish there was also a process of translating the material into the English language, which might have affected the result. When the material was compiled it was sent to the contact person at each participating company for approval of information and quotes. The material was finally analyzed using the frame of reference to draw appropriate conclusions.

An important factor to take into account, according to Stouthamer-Loeber and Bok van Kammen (1995), is to check the material since there will always be errors, it does not matter how much of an expert or how much training the interviewer has. This is a reason why the material should be coded immediately after the information has been gathered, while it is still fresh, so that possible errors can easily be corrected. Stouthamer-Loeber and Bok van Kammen (1995) explain that if a longer period of time has passed by since the interviews were made the possibility to correct the errors is reduced. Checking the material and reducing errors were done immediately after the interviews were done to facilitate the forthcoming working process and to ensure that the information was transcribed and saved correctly.

The process of coding is a challenge, as argued by Welman et al. (2005), when there is a huge amount of material that needs to be reduced into a manageable and reasonable text. Further more "[t]he purpose of coding is to analyse and make sense of the data that have been collected" (Welman et al., 2005, p.214). According to Hardy and Bryman (2004) the information gathered at the interview(s), will be included or excluded in the thesis depending on the purpose, resources and assumptions. The focus of this thesis was to gain insight into the family council and communication among the participants rather than the family and business per se; hence unrelated material was excluded because of its inappropriateness for the objective of the study. The entire interviews were transcribed, which took approxi-

mately three to four hours per recorded hour. After discussing the material, the relevant parts were selected and translated to be used and analyzed appropriately to fulfill the purpose.

3.4 Trustworthiness

It is important to consider the trustworthiness of the study. The foundation of trustworthiness is, according to Lincoln and Guba (1985), straightforward and the bottom-line concerns how the researcher(s) should convince the audience that the study is important to consider and pay attention to. They further point out that to ensure that the research is trustworthy it is important to ponder upon the "truth value" (internal validity), the applicability (the external validity), the consistency (reliability) and the neutrality (objectivity).

Validity is concerned with the degree to which the research reflects the reality (internal) and to which extent the results and conclusions can be applied to other situations (external) (Merriam, 1998). This was considered during the research process. The interview questions were carefully designed to avoid biased answers and recorded to make sure that no information was lost to ensure that a picture as fair as possible was presented. Since this is a qualitative research it may be difficult to apply the findings to other situations. This is also the case with reliability, which "refers to the extent which research findings can be replicated" (Merriam, 1998, p. 205). However, this does not necessarily mean that this study in not trustworthy. Instead it is an outcome of that the situation of the interviewee and the business will change, and hence it will most likely be difficult to exactly replicate this study. Merriam (1998, p. 205) supports this argument when claiming: "[q]ualitative research […] is not conducted so that the laws of human behavior can be isolated […hence] there is no benchmark by which to take repeated measures and establish reliability in the traditional sense".

To evade conclusions which are strongly influenced by the authors' opinions it is important to be trustworthy in the research. Lincoln and Guba (1985) point out that if several observers are of the same opinion it is an "objective" judgment. Since this thesis is written by two authors the trustworthiness was increased compared to if it had been written by a single author. However, the authors could have been influenced by this since they know each other well and have worked a lot together throughout the years. The authors have taken this into consideration and tried to be as trustworthy and "objective" as possible. The four factors of trustworthiness (internal and external validity, reliability and "objectivity") have been reflected upon when conducting the study to make sure to present a study as trustworthy as possible.

3.5 Method Evaluation

After the literature review it was realized that the major parts of the literature are of a normative nature. This implies that much of the theoretical framework used is based on consultants' work or studies where the results are not based on theoretical research and analysis. If continue to build on such works eventually forthcoming work has a risk of becoming attenuated. The authors are aware of these drawbacks, however, besides the fact that there is limited access to other kinds of work, the literature used has been a useful foundation for this study when investigating the family councils and the communication within these.

The fact that no more than three companies were participating in this study makes it hard to trustworthy generalize the results and conclusions. Nevertheless, the study was com-

pleted with the three companies chosen due to lack of resources and availability of more participants. When reading the conclusion the number of participants should be kept in mind.

Since it is the board of directors that is the connection between the business and the owners, it could be argued that it would have been more appropriate to talk to members of the board instead of members of the management team. It is most likely that it is the board of directors which is directly influenced by the family council, hence if they were interviewed the conclusion had revealed other aspects.

4   The Empirical Findings

In this section the interviewees of this study will shortly be presented to facilitate the coming reading. The presentations will be followed by two sections, Family Council and Communication, where the opinions and experiences of the interviewees (the empirical findings) will be put together and presented. This separation into two divisions is based on the two main sections in the Frame of References and will also be the foundation for the Analysis and the Conclusion.

4.1   The Interviewees

The interviews were conducted with eleven people representing three different family businesses. The various individuals have different relations within the family and with the business. There was a spread of ages and generations among the interviewees which added to diverse perspectives and insights. Three of the interviewees, one at each company, are not related to the owning family; however they are part of the management team and thus were assumed to be affected by the discussions and decisions held at the family councils. They were included in the study to gain additional angles and viewpoints concerning the purpose of the family council and its relation with the business.

4.1.1   BIM Kemi

BIM Kemi AB is a family business in the first and second generation which operates within the pulp and paper industry. The company develops and produces specialty chemicals for this industry. The company was founded 1973 and the characteristic as a family business is very important for this company and the owning family.

The interviewees at BIM Kemi:

> **Anna Axelsson:** 2nd generation owner, communications officer at Hagmans (a subsidiary to BIM Kemi) and participant at the family council where she also, at present time, is the chairwoman

> **Sofia Wållberg:** 2nd generation owner and participant at the family council, non-active in the business operations

> **Magnus Lindberg:** non-family member, Sales Manager Scandinavia at BIM Kemi

4.1.2   Löfbergs Lila

AB Anders Löfbergs Kaffegrupp is the family business in which Löfbergs Lila AB is included. Löfbergs Lila is a coffee producer and is today one of the largest coffee roasting-houses in the Nordic countries. The company was founded in 1906 and is owned and managed by the third and forth generation.

The interviewees at Löfbergs Lila:

> **Anders Löfberg:** 3th generation owner, member of the board of directors, CEO of the business group and participant at the family council

Mikael Löfberg: 4th generation owner, member of the board of directors and participant at the family council, non-active in the business operations

Kathrine Löfberg: 4th generation owner, Marketing Director at Löfbergs Lila and participant at the family council

Björn Forsberg: non-family member, Financial Manager at Löfbergs Lila

4.1.3   EL-Björn

EL-Björn AB is a company in the construction and electricity industry which develop and construct solutions for power supply and equipment for construction sites through which they curb the climate. EL-Björn was founded 1954 and is today managed and owned by the second and third generation.

The interviewees at EL-Björn:

Hasse Enocson: 2nd generation owner (majority owner) and participant at the family council, non-active in the business operations

Magnus Enocson: 3rd generation owner, CEO at EL-Björn and participant at the family council

Anna Enocson: 3rd generation and participant at the family council, non-active in the business operations

Ewert Karlsson: non-family member and Production Manager at EL-Björn

4.2   Family Council

In this section, the empirical findings regarding the family council will be presented. It is split into two parts; the main functions and practical aspects.

4.2.1   Main Functions of the Family Council

When talking to the family members it becomes clear that they all consider the family council to be an important and useful forum for them as business owners and as individuals. To meet as a family and discuss business issues as well as family issues is pointed out by several of the interviewees to of importance. When asked about the advantages of family council two of the interviewees answer as follows:

> *"The main reason why we have a family council is to keep the family together and most of all, I find the family solidarity to be the main advantage. Family solidarity provides a good support in the relation between family members and the business has obviously been the glue for this, it is in fact the business that led us in to doing this" Hasse Enocson, 2nd generation, EL-Björn*

> *"The advantages of a family council are to keep those who are not active [in the business] on an every-day basis updated and to work on the cohesiveness and to engage in the business as owner" Mikael Löfberg, 5th generation, Löfbergs Lila*

There is a common theme in the answers concerning why the family council exists, namely to discuss the business and keep everyone updated on the businesses. The immediate answer from the non-family members was, when asked about the function of the family council and why it exists, that they did not know. However, when they were asked to assume its function their answers were in line with the answers of the family members.

All the family members show a genuine interest for the business even though some of them have no intention to work in the business. Anna Enocson, who is no longer an owner or an employee, says:

> "I will always have an interest for EL-Björn, even though I am no longer an owner I will always have an interest concerning its outcome and future" Anna Enocson, 3rd generation, EL-Björn

She also considers the main function of the family council to be to improve and strengthen the relations among the family and believes that the future family council meetings will probably have increased discussions concerning topics besides the business, such as family issues, and continue to work with the family relations. The family relations are pointed out by several of the interviewees as an essential part of the family council, not merely to keep everybody updated but also to strengthen the bonds among the family members. The answers concerning the family council and its influence on the family cohesiveness are coherent:

> "We have very strong bonds within the family and I would say that it, to a large extent, is a result of these [family council] meetings" Mikael Löfberg, 5th generation, Löfbergs Lila.

> "Yes, the cohesiveness has improved more and more [since we started with the family council]. We have had our tussles but it is better now, there have been some ups and downs. But it is better now, partly thanks to the family council" Sofia Wållberg, 2nd generation, BIM Kemi.

> "Yes, the bonds have strengthened and improved since we started with the family council […] To try to find and agree upon a family policy cause intense discussions [in the family council] since all had different opinions. However, this was important for the family since when we reached an agreement the family solidarity was increased" Hasse Enocson, 2nd generation, EL-Björn.

At the meetings the participants also talk about themselves and their personal development and other family related issues. It can be to give a short summary of what one has been up to since the last meeting, possible education programs one has attended or plan to attend, or if someone needs help with something. This is important for the family members since by doing this the family members are kept up to date with the situation of the others which is useful for the family cohesiveness.

Even though the family council is important for the family bonds and relations, it has other essential functions as well. Kathrin Löfberg argues that:

> "The main function of the family council is to discuss issues concerning the ownership" Kathrine Löfberg, 5th generation, Löfbergs Lila.

Other important issues to discuss at the family council are the board of directors – appoint, dismiss and evaluate – to discuss possible acquisitions and other larger issues, long-term plans and future goals. Values and visions are also important issues to discuss at the family council and the development of a family policy. In addition to this, the participants also discuss how to behave towards each other, towards employees and others when representing the business. In the Wållberg family, discussions concerning non-economic goals are mentioned as one of the main topics for the family council while in the Enocson family there is a large focus on family discussions and relations.

Many of the respondents point out that the family council also offers the opportunity for discussions regarding sensitive issues and concerns. None of the interviewed individuals feel that any of the family members hesitate to bring forward sensitive issues. Succession can be a sensitive issue and when the succession situation was to take place in EL-Björn, Magnus Enocson was very happy that they had a family council where they had discussed through a lot of various issues beforehand.

> *"Due to the fact that we had worked with and conducted an owner policy I knew where we were standing concerning values etc. […] and I knew my parents' and my siblings' expectations and what we all believe. We had already worked through those question and that was very beneficial in that process [of succession]" Magnus Enocson, 3rd generation, EL-Björn*

An additional benefit of the family councils is the separation of privacy and business. Anna Axelsson points out that:

> *"There was a need for a forum for discussions concerning the business because it was so much BIM, BIM and BIM at all family gatherings[…] At the family council we discuss business- and owner issues and at Christmas we celebrate Christmas" Anna Axelsson, 2nd generation, BIM Kemi*

The family council also facilitates the separation of the roles and makes them visible and distinct.

> *"Through the creation of a family council a forum for business discussions is created. By discussing and thinking upon yourself as an owner more actively, the role as owner becomes more concrete" Sofia Wållberg, 2nd generation, BIM Kemi*

To conclude this part, the family council is perceived by the participants as a forum with many benefits and advantages for both the family and the business.

4.2.2 Practical Aspects of the Family Council

The interviewees have different opinions concerning who should participate at the family council. The three companies represented in this study have all different inclusion policies. At the family council at BIM Kemi all family members are present – first, second and third generation, even though some of them are just a few years old. By including the children the Wållberg family believes that a natural and early interest for the business will be raised. In addition, they also view it is as a naturally way to educate them about the family values and other issues concerning the business and ownership. The other two families believe that it is appropriate with an age limit allowing participation of younger family members at an age between fourteen and seventeen years of age. In the Löfberg family the age limit is

sixteen years, however for the Enocson family this is not a concern at present time since the next generation is still very young.

> *"Yes, some [age] limit is probably useful [silence] it depends on which questions that are to be discussed. I guess they have to reach a certain age to be able to behave at and follow the meeting. But then of course, it is very individual, there are fourteen year old youths who are very mature and seventeen year olds who are less mature. It is individual as I said, but perhaps fourteen, fifteen, sixteen years of age is appropriate"* Magnus Enocson, 3rd generation, EL-Björn

At BIM Kemi all spouses are welcome; the only requirement is that he or she is at least engaged with a family member. Sofia Wållberg thinks that the participation of spouses has both negative and positive aspects. By exclusion they might feel unwelcome in the family. However, she does not think that they should be (and they are not) present when discussing owner issues, "in those issues they have to trust the family". But she also states that it is important that the spouses get the information firsthand, just as the blood relatives, since they in fact will also take part in raising the next generation. Her sister, on the other hand, states:

> *"There are only advantages with including the spouses in the discussions. If excluding them there will only be a lot of misunderstandings. I am closer to my husband and my children than to my parents, and I tell him everything anyway so why should he not be participating"* Anna Axelsson, 2nd generation, BIM Kemi

In addition to the meetings without the spouse (when owner issues are discussed), the second generation at BIM Kemi has a next-generation meeting. At this meeting only the siblings, Anna Axelsson, Martin Wållberg and Sofia Wållberg participate, hence not even all the owners are included.

> *"At the next-generation meetings it is only me and my siblings who participate. We discuss what we want with the business in the future and other long term objectives"* Anna Axelsson, 2nd generation, BIM Kemi

The family council at EL-Björn on the other hand, has no spouses participating at the meetings. Earlier Magnus Enocson's wife participated but not any more, which was a choice of her own. However, the family members interviewed seem to have different opinions concerning participation of spouses. According to Anna Enocson it was "successful" to include his wife, while Magnus though that "well, it worked". The Löfberg family has decided to include the entire family at one meeting per year (family-meeting) and at the other two only the six owners participate (owner-meeting).

> *"Spouses do not participate at the owner-meetings but we have special meetings where they participate which we call family meetings. It is a bit more social. There are pros and cons with not having the spouses at all the meetings [...but] they are a resource. Many of them work in other businesses and it is very interesting when we meet, we have a lot to discuss together [...and] to learn from each other"* Anders Löfberg, 4th generation, Löfbergs Lila

> *"The more the others [spouses] are involved and know what is going on in the business, the easier it gets to be a good support for everyone. It is important that they [the spouses] also think it is positive that we run this business. The more involved they are the more engaged they get"* Kathrine Löfberg, 4th generation, Löfbergs Lila

On the contrary to the participation questions the interviewees are in consensus concerning the leadership. The three family councils have all an alteration of the leadership but the frequency of the alteration varies. At Löfbergs Lila there is a shift of leader for each meeting while at EL-Björn each leader is responsible for a year at a time. At BIM Kemi the alteration has a slower frequency. Anna Axelsson is the leader at present time and has been for the last three years. Before her it was her brother who led the family council. However, at BIM Kemi they also argue for the usefulness of alteration of the leadership, and what Anna Axelsson says can be seen as a conclusion of the interviewees' view of the alternation of the leadership

> *"The leadership is alternated and that is good because it increases the understanding for leadership which is beneficial" Anna Axelsson, 2nd generation, BIM Kemi*

At the first creation of the family council the Wållberg family experienced less effective leadership style. Peter Wållberg, the founder of BIM Kemi, decided it was time to start a family council and gathered his family. He was still the CEO at the business at that time and led the family council just as he ran the business. Anna Axelsson refers to this as:

> *"It was a huge disaster" Anna Axelsson, 2nd generation, BIM Kemi*

Her sister, Sofia Wållberg, agrees and that was the end of the first try out of a family council. However the second attempt, initiated by Martin Wållberg, the brother of Anna and Sofia, was much more successful. Martin Wållberg had studied family council, and as a result he had an idea concerning how to create and manage this type of forum in his family. Nevertheless, Sofia Wållberg points out that

> *"But if the first meeting with dad would not have taken place, I do not think would have a family council at all today" Sofia Wållberg, 2nd generation, BIM Kemi*

The family councils, as indicated by all the interviewees, are well structured. They all follow an agenda and try to be professional in the behavior and communication.

> *"I guess you could say that our family council is quite structured, we always write a protocol and start each meeting by going through the previous protocol. We follow an agenda and one person is always responsible for the meeting, the protocol and to document what is said and decided besides all the practical things" Anders Löfberg, 4th generation, Löfbergs Lila*

> *"This formal forum has contributed to a much better respect for each other than earlier when the relations were more of a 'sibling relation' with tussles and such [silence] today we have a much more professional relation thanks to the family council and we are able to have 'adult conversations'" Magnus Enocson, 3rd generation, EL-Björn*

Hence, the family council meetings seem to be well organized but with a nice atmosphere, something Sofia Wållberg points out:

> *"Well, it [the family council] is quite formally structured but there is not a formal atmosphere, it is in fact the family" Sofia Wållberg, 2nd generation, BIM Kemi*

The family council meetings are held regularly at the three businesses. The Löfberg and Enocson families have meetings three times a year while the Wållberg family meets twice a

year. For all the families, at least one of the meetings is located somewhere outside the business. In the case of the Löfbergs and Enocson families this meeting is often a more social meeting. The Wållberg family has some social activities at each meeting to make sure to have some fun together as well. This is also a result of the fact that the young children are present and the aim of the family to make sure that they also appreciate the business and the family council. They have for example been on an adventure center where they were Vikings for a day. Björn Forsberg, financial manager at Löfbergs Lila, has a fine comment concerning the location of meetings:

> *"It does not matter where the meeting takes place, what matters is how you handle the things that have been discussed and agreed upon at the meeting" Björn Forsberg, non-family member, financial manager at Löfbergs Lila*

This seems to be a conclusion that is applicable for the three family councils in the Löfberg, Enocson and Wållberg families. The rest of the meetings (one or two more per family) are normally held at the office since this is the natural environment and meeting point and those who are not in constant contact with the business appreciate the visit.

Concerning how decisions are made at the family council the responses varies, not between the three different families but between the participants within the same family council. When asked the question concerning how decisions are made, some of the answers are as follows:

Hasse Enocson argues:

> *"Most often we compromise. We have never managed to reach consensus" Hasse Enocson, 2nd generation, EL-Björn*

In contrast to his daughter:

> *"It is usually through consensus" Anna Enocson, 3rd generation, EL-Björn*

Anna Axelsson states:

> *"We vote to take a decision" Anna Axelsson, 2nd generation, BIM Kemi*

While Sofia Wållberg says:

> *"We endeavor to reach consensus and want everyone to agree with what is decided. Usually we start with an informal voting and with that as a starting point we discuss why we think this or that, pros and cons etc. Eventually we agree on something that everyone stands behind" Sofia Wållberg, 2nd generation, BIM Kemi*

At Löfbergs Lila the answers from the family council participants were more alike:

> *"I do not think we have ever had a vote, it is more of a discussion until all agree. If we do not agree the question is postponed" Mikael Löfberg, 4th generation, Löfbergs Lila*

> *"We discuss until reach an agreement, possibly with someone more or less satisfied, but we have never voted. In a case where we can not reach an agreement we postpone the question and ponder some more upon it and at the next, or coming, meeting we discuss it again*

and eventually reach a decision that everyone agrees upon" Anders Löfberg, 3rd generation, Löfbergs Lila

However, no matter if the decisions are taken through consensus or voting, all the respondents pointed out the importance of agreement; everyone should agree with the decision and be able to stand behind it.

The difference between the family council and the board of directors is more or less clear among the interviewees.

"The family council is most about the business and what we [as owners] want with it […] with that as a starting point it is the board of directors' task to work with business strategies" Magnus Enocson, 3rd generation, EL-Björn

"The board of directors makes more strategic decisions and the family council [covers] more 'ownerstuff'" Anna Axelsson, 2nd generation, BIM Kemi

"The family council discusses more long-term, it can be questions extended over several meetings and are more comprehensive than the work of the board of directors. The board of directors works with more specific tasks, more operative issues" Mikael Löfberg, 5th generation, Löfbergs Lila

In summary, according to the interviewees, the family council deals more with family and ownership issues, the family's visions and objectives with the business, while the board of directors has a more operative and strategic role.

The interviewed non-family members that are part of the management team do not perceive a clear influence from the family council.

"It is important that we, the management team, gets the information about the CEO, board of directors and the family council, through Magnus [the CEO] so that are part of important decisions, the issues that are otherwise decided without out knowledge" Ewert Karlsson, non-family member, production manager, EL-Björn

He further points out that it is important the management team is informed and aware of what is going on at the family council, and that it is Magnus Enocson who is the "spider in the web" and without him none of the communication or information would be shared with the management team. Magnus Lindberg, sales manager, Scandinavia at BIM Kemi, agrees to this, in addition he indicates that there is one family member active in every board of directors (the BIM Group), but there are no family member that are part of the top management team. Hence, as Magnus Lindberg further implies, there is a gap between the family council and the management team, the two do not have a direct connection.

4.3 Communication

In this section, the empirical material regarding the communication among the family members at the family council will be presented. This section is divided into two parts; general communication and conflict management.

4.3.1 Communication in the Family Council

Communication between the family members in the family business is a foundation for a successful organization. The respondents are unanimous when it comes to this statement. Having a forum where the family can discuss and bring up issues concerning the family as well as the business has had affects on all these business. Communication is something more, as implied by Mikael Löfberg, than just to grab a cup of coffee together and talk; communication at a family council is more about keeping and maintaining the well functioning discussions which enhance the strong bonds between the family members. Kathrine Löfberg argues that strong bonds among the family members are needed to be able to fight and compete as a family against the big international companies.

> *"When the competition is tough and when there are huge multinational companies on the market, then we have to use our strengths. One of our biggest strength is that we are a family business and that means that we can be more flexible and faster [in business decisions]" Kathrine Löfberg, 4th generation, Löfbergs Lila*

Kathrine Löfberg further points out that this strength of being a family business can create a competitive advantage if used in the right way, and by having strong family bonds with effective communication it is possible to create and sustain this advantage.

All the interviewees respond in the same way when asked if the communication has change as a result of having a family council. The family council has improved the communication between the family members which has united and unified the family members. All the interviewees agree on this and two respondents indicate:

> *"The communication has definitely improved since we started with the family council" Mikael Löfberg, 4th generation, Löfbergs Lila*

> *"We have a more open dialogue and can bring up more different kinds of questions, more sensitive questions. We have gotten to know each other better, have more respect for each other; know more where the others are standing and were we stand as a family when it comes to these tough questions. I, at least, feel that it is easier to find support from the others now" Magnus Enocson, 3rd generation, EL-Björn*

Hence the quoted individuals are pleased, like the rest of the respondents, with the way the meetings have had and still have a positive impact on the communication within their respective families and businesses. However, one respondent argues that:

> *"The communication has improved a lot since we started with the family council, however, it could be even better and now it is up to each and everyone of us to personally improve. Everybody must communicate with each other and spread the messages and information. One should not think that he or she [the others] already has the information, it is better to get the message twice than not getting it at all" Anna Axelsson, 2nd generation, BIM Kemi*

Hence she believes that the communication has increased after the foundation of the family forum, however there is still room for improvements, something for the family to further consider.

Private and sensitive issues are usually being brought up at the meetings; however some individuals are a little bit more reserved.

> *"We are five totally different individuals in our family. Some of us would probably say whatever comes to our mind while some of us have a little bit more integrity" Anna Enocson, 3rd generation, EL-Björn*

> *"Private and sensitive issues are brought up from time to time and causing intense discussions. […] Feelings are such a factor that could have an influence on the communication among the family members. That is both positive and negative. The feelings are at least being expressed more [now than before] in our family council […] Sometimes there have even been a lot of tears and at times it has been very emotionally charged" Hasse Enocson, 2nd generation, EL-Björn*

Hasse Enocson further states that intense discussions are not necessarily bad; it is good, he further argues, to have lively discussions and differences in opinions to reach a verdict or a consensus since this eventually strengthen the family bonds. However at the meetings it is important to stick to the subject and not talk about other irrelevant things, Sofia Wållberg argues:

> *"Everybody says what they feel, but we try not to talk all at once. We are all a family so we can talk about the business and a lot of other things at the same time, however one must try to stick to the topic at the business meetings and not talk about family matters […] Everybody participates, and sometimes we all get too excited and want to express our opinions and when that happens it is extremely important to respect and listen to each other and let everybody finish" Sofia Wållberg, 2nd generation, BIM Kemi*

The communication is often open and usually nobody is afraid to say what they want or to express their feelings. The interviewees also agree that it is important to have an open communication to be effective and to get the message across. The three different families have strong family bonds, which then increase the trust and the communication and as an outcome the communication becomes more open.

> *"We have an open communication where everybody dares to say what they think and express what they feel, which sometimes creates very lively discussions" Anders Löfberg, 3rd generation, Löfbergs Lila*

All the respondents agree that it is important to respect and listen to each others' opinions. That is one of the most important factors for an open and well functioning communication. All family members indicate that everybody is equal in the family council, no matter position within or outside the company or within the family. Everyone is equally treated and respected.

> *"I believe respect is a crucial factor when it comes to open and efficient communication. That is a fundamental principal in the family policy – to listen and to respect each other […] and I believe we have been successful to improve on the respect when it comes to divergent perceptions to a certain extent" Hasse Enocson, 2nd generation, EL-Björn*

Nevertheless, both the Wållberg and the Enocson families indicate that concerning certain issues extra attention is given to the opinions of the founder or the CEO due to their deeper knowledge and understanding of the business and the market it operates in. However, in another question someone else might have deeper knowledge and hence his or her opinions have a stronger influence, yet it is important to listen to all and respect all opinions.

The communication will not be efficient if there is no respect and if everybody just talks at the same time. Most of the respondents agree that the communication at the family gatherings and at the family councils is different. They agree that the meeting is more of a professional and formal gathering rather than a social activity. When the family is performing a social activity together with the family members, in connection with the meeting, then the communication is on a family level.

> *"Even though we have a lot of fun, it is still not a nice and social gathering, we are there to talk business, not family matters" Mikael Löfberg, 4th generation, Löfbergs Lila*

The interviewees have all different positions within the companies, some are not even employed within the company, which makes the roles and the communication various among the respondents. A few respondents feel that the communication is better and stronger between the business and the family members who are active in the company while the younger or the less active individuals have a more loose communication with the business. Sofia, the youngest sibling in the Wållberg family, sometimes feels that she has to "dig out" the information since it is usually assumed that everybody already knows since the older siblings are engaged in the everyday activities in the business.

> *"Sometimes I can feel a little bit left outside, the others are working and meeting each other more at the business, they are "in the action", and sometimes forget to pass on the information to me. I call, talk and dig out the information myself […] I have been fighting to get my voice heard. I even had to use my elbows to get my opinion through" Sofia Wållberg, 2nd generation, BIM Kemi*

It is usually some high positioned family member within the business that handles the communication between the family council and the company. That might reduce the communication between the rest of the family members and the business. Anna Enocson argues that it is more natural that her brother, Magnus Enocson, maintains the communication with the business since he is the CEO, hence active in the company. This is true in the other families as well, the active individuals handles most of the communication with the business.

4.3.2   Conflicts and Conflict Management

When it comes to pros and cons about conflict the interviewees express some differences in opinions. Some of the respondents saw some benefits with conflicts:

> *"Well, it is beneficial since it can develop the relationships, however it can also destroy the relationships. Constructive conflicts are always good" Anna Enocson, 3rd generation, EL-Björn*

> *"One benefit with having a conflict is that you are constructive and you reach a consensus and a resolution" Mikael Löfberg, 4th generation, Löfbergs Lila*

> *"There are certainly benefits with conflicts [silence] it could be that if someone has a considerably different opinion then it is good if it comes up so that we can talk about it and everybody can give their opinion about it and understand each other. People can never agree upon everything, but by bringing up the issues and discussing them, instead of somebody carrying it within themselves which may cause bad feeling, will reduce the risk of it become a big conflict [...] Bring it to the table" Magnus Enocson, 3rd generation, EL-Björn*

Anders Löfberg on the other hand does not see any benefits with conflicts. He believes that it is beneficial that the opinions differ, however it does not have to be on a conflict level. The financial manager (a non-family member) at Löfbergs Lila, Björn Forsberg believes that:

> *"Family conflicts are something that should be taken seriously if it affects the work and the business. How you handle it [the conflict] is important and the conflict should not impact on the business" Björn Forsberg, non-family member, financial manager at Löfbergs Lila*

Further on, the majority of the interviewees believe that a conflict should be dealt with and handled before it even reaches the stage of being a conflict. The differences in opinions should be dealt with at the family council or ever before (if the meeting will not take place within a short period of time) to hinder the conflict from becoming a problem that might have negative impact on the business and the owning family.

> *"I believe one should solve conflicts in a professional manner to be able to respect others' opinions [...] and [it is important to] keep the discussion inside the room and finish it there" Mikael Löfberg, 4th generation, Löfbergs Lila*

> *"Bring up the disagreement right away when it happens. I believe this is true for all kinds of disagreement, no matter what type of issue it is or if it will cause tensions among the different individuals" Magnus Enocson 3rd generation, EL-Björn*

To use a professional facilitator when it comes to solving a conflict is something that two of these companies have used in the past. To help improve the communication and listening skills are something that was done by taking assistance of professional help. The assistance of a facilitator was helpful when they were trying to solve a problem which then, when resolved, proved to be a good experience.

> *"When we had a complex conflict some years ago, we took help of a consultant to improve our communication skills and it taught us to communicate in a better and more efficient way" Sofia Wållberg, 2nd generation, BIM Kemi*

When a conflict has occurred and has been solved in a way that made the majority of the parties involved satisfied, then the next conflict(s) will be easier to deal with. As indicated by one of the interviewees, to learn how to communicate and to listen to each other increases the possibility to solve conflicts in a satisfactory way the next time one arises. Löfbergs Lila has had a significant complex conflict that was solved by the use of external facilitators, however all the respondents agree that these conflicts have provided beneficial experiences and has increase the possibility of better handling of possible similar situations in the future.

The interviewed family members claim that the family council has been beneficial for the communication and conflict management. The family council has made the family members more professional in the communication and they do not hesitate to talk and discuss sensitive and emotional issues. None of the interviewees see any disadvantages with family councils, on the other hand, they all point at different advantages. Nevertheless, as Sofia Wållberg states:

> *"There are always bad ways to handle things. If one does not handle the family council in a good/correct way it can probably have the opposite effect. We have created it in a way that suits us, it is very important that the forum is suitable for the particular family. Everyone is different and hence the family council has to be adopted [for each family]" Sofia Wållberg, 2nd generation, BIM Kemi*

5 Analysis

In this section the empirical material will be analyzed by connecting the frame of reference with the gathered findings. The two sections about Family Council and Communication will be in focus since these are the major parts to meet the purpose.

5.1 Family Council

5.1.1 Main Functions of the Family Council

The family council is an important forum for the family members and it has several important functions. One of the main functions is to gather the family to discuss and articulate different opinions and concerns regarding the business and ownership issues, as implied by the respondents who are in accordance with Gersick et al. (1997), Poza (2004), Aronoff and Ward (1992). The interviewed non-family members (individuals from the management team) did not know the function of the family council straight away; however what they assumed was confirmed by the family members. The participants further stated that the discussions cover all kinds of issues, from values and goals to individual future visions. The future of the business is discussed and planned for in the family council by all the family members, and is considered by the active participants of the family council to be a crucial topic. In the Wållberg family, an emphasis was placed on the values and non-economic objectives with their ownership and for the business. This was not that clearly articulated in the other families, which was surprising since for example Aronoff and Ward (1996) point out that values are essential to consider and work with in the family council. Beyond the issues that the frame of reference brings up, all the families set a side time for reflections concerning individual development and plans. This is beneficial for the relations among the participants, since this increases the knowledge and awareness of each other.

Voices from all the family councils point out that the relations and the cohesiveness among the family members have improved since they started with the family council, which was also stated in the frame of reference by Aronoff and Ward (1992). This is a result of the regular meetings where they have and still are discussing their different roles, values and opinions which have helped them to view each other differently but have also strengthen the connection among them. Astrachan and Stider (2005) point out that by discussing and arguing the family members are, if done in a constructive way, brought closer together when they reach an agreement. This is supported by all the family members but is clearly indicated by Hasse Enocson who declares that his family became tighter through the intense discussions concerning the family policy, a topic where the family members had many different opinions. These discussions in turn create trust among the individuals which is important for future discussion and efficient communication among the family members, as mentioned by Balshaw (2003). The family council is a beneficial forum and a powerful vehicle, as pointed out by Aronoff and Ward (1992), to have when to create these bonds and cohesiveness. All the respondents express that there are, partly thanks to the family council, strong bonds and good trust among the family members.

The family council is, as mentioned by Poza (2007), an excellent place to bring up disagreements and resolve conflicts. The gathered material indicates that all the families perceive that all kinds of issues are brought up, even those which might cause strong disagreements or even conflicts among the participants. The empirical findings also point at the fact that these kinds of issues are brought up is thanks to the family council. By having

a formal forum for these issues it becomes easier for the family members to bring up and discuss them. The Enocson family states that without the family council, or before the family council was created, the relations were more "sibling-like" or "parent-child-like" which kept the individuals in the role he or she had in the family. Thanks to the family council the family roles can be stepped out of and the discussions can be held in a more professional way. At the family council everyone is equal and (formally) there is no difference between, for example, the CEO and other family members. Nevertheless, as presented in the empirical findings, there are some differences due to deeper knowledge and/or understanding concerning certain topics. This is not surprising since one naturally gives larger attention to a person's opinions if he or she has greater knowledge.

Besides discussing various issues and roles, the family council is also an important forum for keeping all the family members updated concerning the business and its present and future situation; the empirical findings are in consensus with Gallo and Kenyon-Rouvinez (2005). Family members not working in the business or having a regular contact with the business might, as stated by Gersick et al. (1997), loose interest or their visions for the business might change, for example to become more of a financial investment. This can be avoided by constantly updating all family members on the business and to articulate visions and objectives. Several of the participants of the family councils indicated that by meeting regularly and discussing these issues it makes it easier for the family to cohesively strive for the best of the business. In addition, by meeting and listening to everyone's opinions also helps avoiding misunderstandings. If not expressing the thoughts one has, the others have to guess what he or she is thinking or just assume that he or she agrees. Besides, as stated by Aronoff and Ward (1996), if the owning family is not unified in their directions and communication with the board of directors and the management, it will not be represented in the best possible way. The empirical findings show that it is important that all the family members agree upon the decision taken, through consensus or compromising – if an agreement could not be reached the question is postponed.

5.1.2   Practical Aspects of the Family Council

The empirical findings contradict the statement of Michaud (2004) and Aronoff and Ward (1992) concerning the location of the family meeting. These authors state that the family council meetings should be held outside the business since that may not be a neutral environment and in addition may cause negative speculations among employees. However, the interviewed families did not see any disadvantages with having the meetings at the office, rather it is nice to come and visit to see what has happened and what is going on. This gives an opportunity to see how the operations are developing or possible new investments or re- or new constructions. Further, since the employees know that the family has a forum for discussions concerning the business and the relation between the business and family the meetings at the business does not cause any problems. Instead, it is an indication for the employees that the family cares for its business and is interested to see how it is going and cares for long-term investments and such. Nor is it a problem for the non-active (in the business) family members since they feel totally comfortable at the plant which is in contrast to Michaud (2004). The business is viewed by the participants as a natural place with the perfect environment to have the meeting since that is where most of the business concerns happen.

The frequency of the meetings varies but empirical findings prove that they are held regularly. How often the family council meetings are to take place depends on the family and the issues that it needs and wants to discuss. These empirical findings are supported by Mi-

chaud (2004) and Gersick et al. (1997) in the frame of reference where they state that it is important to hold the meetings regularly and preferably at predictable dates. It seems as three times per year is an appreciated amount of meetings, which is in accordance with previous recommendations by Aronoff and Ward (1992) and Gersick et al. (1997). In addition, to have the meetings at a regular basis and to structure them quite formally is important. The empirical findings show several positive aspects of the formal family council, nevertheless the formality is influenced by the family and its culture. Balshaw (2003) and Gersick (1997) support this opinion that the culture influence and they state that the culture should be the foundation of the family council structure. As stated by a non-active family member, Sofia Wållberg, it is hard to hold the family council meetings as formal as a business meeting due to the fact that it is comprised by family members who have strong relations and family roles which influence the discussions. Still, in particular two family members point out the importance to try to be professional in the discussions and the behavior. An important part of behaving professionally is to try to make everyone feel comfortable and appreciated and that everyone's opinions are equally valued.

To make everybody feel comfortable is influenced by, not only the participants' behavior but also by who is participating. The three family councils in this study have different policies concerning the participation, some include spouses while others do not, some have age limits while others do not. This is in line with previous research; some (for example Aronoff and Ward, 1992) recommend that spouses should be included while others (for example Neubauer and Lank, 1998) oppose. Again, this is, as stated by Gersick et al. (1997), up to the family in question to decide since it is up to them to determine how productive, creative, honest etc. they are with or without the spouses. The interviewed family council participants at Löfbergs Lila and BIM Kemi argue for the benefits to involve the spouses in the family council, but the findings also show that the inclusion depends on the issues to be discussed, for example owner topics are only discussed among the owners. The Löfberg and the Wållberg families even have different types of meetings for different issues and perspectives, for example owner meeting, next generation meeting and family meeting – all part of the family council.

To have an effective and efficient family council, a well functioning leadership is needed, as stated by Ward (1997a). The family council is not a business and can not be managed as one. This was clearly shown through the case of BIM Kemi when the CEO tried to start the family council and ran it like it was a business meeting. His leadership style was not in accordance with the family culture and level of knowledge and this led to a disaster of the first family council meeting. However, after some alteration of leadership the atmosphere of the meeting became more appropriate. All the participating companies use the alteration of leadership when it comes to leading the council and find it to be beneficial, which is supported by Gersick et al. (1997), for the meeting as well as the family. The empirical findings are in accordance with Aronoff and Ward (1992) that by having alternation of the leadership, individuals feel respected, important and valuable for the business and the family. In addition, by being the leader of the family council the individuals learn more about leadership and that is useful both for the company and for the individuals per see in the future.

The interviewed family members have a quite clear picture concerning the difference between the board of directors and the family council. They state that the board of directors has a more business and operative direction while the family council is more about values, non-economic goals and long-term future plans. This is in accordance with the frame of references by several researches, in particular with Neubauer and Lank (1998).

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5.2 Communication

5.2.1 Communication in the Family Council

Communication within a family business, both between the family members and between the employees and the family is essential to keep strong, as stated by Afifi and Nussbaum (2006). The family members participating in this study have different positions within the business and the family, nevertheless this is not reflected in the communication at the family council meeting, rather the communication is open and strong. A family member active in the business, Kathrine Löfberg, points out that strong communication and good relations among the family members are something that can create a unique situation for family businesses, since the family have a tendency to be able to create and maintain invaluable strong bonds. As mentioned in the frame of reference, Ward (2004) argues that a well functioning communication is the difference between a successful and a non-successful family business. A healthy business is where the family has been able to recognize the valuable existence of efficient communication, which all of the companies in this study have done in a more or less successful manner. The empirical findings show that there are still some flaws in the communication skills in the participating family councils that need improvement; however the family council has been a good starting point to keep improving the skills needed.

All the interviewed family members argue that the family council has proven to have a positive affect on the family members both individually and concerning the relationships and communication among the family members. The communication has become stronger as a result of creating and exercising this type of forum which has assisted the owning families to become more united. Poza (2007) stated that one of the main functions of the family council is to ensure communication with efficient discussion and to unite the family members; hence his statement is supported by the empirical findings. The family council has helped the family being more open and less resistance to talk about sensitive questions and topics. More trust has been created within the families through the family council and the activities carried out in combination with these meetings. According to Balshaw (2003) trust is like the glue that connects the family together, and trust is created while having fun in activities for example when the family members go to an adventure center (which BIM does occasionally) to create stronger bonds and to learn to respect and trust each other. Being a trustworthy and strong owning family creates a strong reputation, and communication within the family council can help create this. Team-building through social activities are, as stated by Balshaw (2003), a great way to enhance the personal development at the same time as the individuals are connecting as a team and a family. Participation, trust and respect are recurrent topics in the empirical findings, thus in accordance with Balshaw (2003), it is crucial to have respect and participate in various ways to get the most out of the meeting with the greatest possible communication.

Balshaw (2003) points out that the communication should be as wide and open as possible; however the meetings should have an atmosphere that fits the family, its culture and characteristics. He further claims that there should not be any fear of bringing up sensitive and private issues on the family council meetings. The participating family councils have been working on the structure and communication to make it fit all the members. The participants are different and feel comfortable with various ways of expressing themselves. The most important when there are different individuals at one place is, as argued by Gersick et al. (1997), to aim at making all people feel welcome, and respected, which creates a warm and healthy environment. The empirical findings show that there is no fear of expressing

feelings within the family even though it might create strong emotional reactions and lively discussions, a factor as stated by Balshaw (2003) to be crucial. In addition, it is also crucial to stick to the subject and not float off to other issues or topic not related to the theme of the meeting. The empirical findings imply that for the effectiveness of the meetings the questions and topics that are being raised should be discussed and considered in the best way possible to reach consensus.

Obstacles for a well functioning communication, as discussed by Spector (2003), for examples hidden agendas, are difficult to grasp when only conducting interviews. The results from the interviews did not reveal any hidden agendas, however such an obstacle would have been easier to understand and recognize if the family council and the individuals in question were observed for a longer period of time. Another obstacle for efficient communication is, as mentioned by Astrachan and McMillan (2003), the risk of communication being trapped into different roles that are naturally created when there are family member in different generations participating at the same meeting. The communication easily gets stuck in these tracks; this was experienced by some of the siblings within the interviewed families. An example of this is when the youngest family member is treated as a child even if he or she is competent enough and should be treated as everyone else. Sofia Wållberg has experience of this, and Magnus Enocson points out that before the creation of the family council the communication was more "sibling-like", hence they were stuck in their sibling-roles.

A third obstacle is, according to Spector (2003), when disagreements are not dealt with right away. The results show that the family members are aware that when disagreements arise, they should be dealt with before they become bigger to oppose them from becoming unmanageable, however, the question is though; do they discuss them right away? Again, this is an issue that needs to be observed for a longer period of time to be able to present a true conclusion.

5.2.2   Conflicts and Conflict Management

The ultimate place to bring up and deal with disagreements or conflicts is, according to Aronoff and Ward (1992), the family council. If the conflicts are not dealt with and resolved here, it might have a negative impact on the company thus ruin its reputation and future. The empirical findings support the opinion that the family council is a preeminent forum for resolution of disagreements and conflicts.

It is not easy, as stated by Neubauer and Lank (1998), to overcome and deal with conflicts. However, according to Spector (2003), the process of resolving a conflict depends on the existing amount of trust among the family members. When someone does not share the same opinion it is not always easy to address this person with this issue, therefore it might feel better to get assistance from a facilitator. The findings show that two of the companies have used the assistance of a facilitator to help solve an unmanageable complex conflict that slowed down both the communication within the family and the development of the company. To get the assistance from a facilitator is, as mentioned by Neubauer and Lank (1998), a good way to learn how to deal with conflicts and to learn what to do next time it happens. In addition, it may help the individuals to not avoid disagreements and conflicts which might worsen the situation. Avoiding disagreements is seldom done in the three studied family councils, rather the disagreement is brought to the table right away. As mentioned by Balshaw (2003), conflicts are not impossible to manage but it has a lot to do with communication skills which, as implied by Astrachan and McMillan (2003), could be

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learned and improved, to better handle and overcome conflicts and differences in opinions. When it comes to communication skills, they should be practiced and improved together as a family, however it is also up to each and every individual to improve his or her communication skills. Neubauer and Lank (2003) claim that when major conflicts arise, a facilitator might be a helpful person to get assistance from to better solve complex conflicts. Two of the family councils have used the assistance from a facilitator to learn how to better handle possible conflicts in the future. The Wållberg family found it to be very beneficial for the communication in the future, with helpful insights and skills to enhance and ponder upon. Ward (2004) points out that communication skills as well as listening skills are both crucial for individuals to possess. All family members participating in this study take part, both by listening and talking, in the family council meetings hence contributing to the deep and meaningful discussion.

Family conflicts should be taken seriously and solved before they reach the stage where they might hinder the development of the business. Aronoff and Ward (1996) argue that it is good to have a family forum where such disagreements and conflicts could be discussed and solved. Anders Löfbergs states that differences in opinions are good, however should not reach the level of a conflict. The interviewees believe that the family council is an appropriate forum for conflict resolving. Nevertheless, if a longer period of time will pass before the next meeting, the disagreement or conflict should be solved through other means. It is important to solve the disagreements as soon as possible to avoid them from growing larger and to oppose interference among the family members and the business. Balshaw (2003) mentions that conflicts are nothing to be afraid of, after all they might create positive aspects for the company as well as for the family. If the conflict is handled and solved in right manner, Astrachan and McMillan (2003) point out that it might strengthen the human relationships and the communication. Empirical findings give evidence that the communication has become straighter, clearer and the relationships have been developed and strengthened through the family council and through the discussion concerning all kinds of issues. In addition constructive discussion has led to consensus and to conflict resolutions. The result from the interviews show that one should not be resistance when a disagreement or a conflict arise, it will lead to a better coherence and unity among the family members – assumed that it is resolved in a constructed manner.

6   Conclusion and Discussion

In this section conclusions of this study will be presented. This will be done by answering the research questions which in turn meet the purpose.

6.1   Theoretical Implications

The purpose of this thesis is to examine the role and the implications of family councils in family businesses. To meet this purpose eleven individuals from three different businesses were interviewed which led us to the following main conclusions.

- **Why is the family council established, and what issues are brought up?**

The family council is established to provide the family members with a forum where they can discuss the business and owner issues in a formal forum instead of at family gatherings. The family council facilitates the discussions and for the participants to communicate in a professional manner. In addition, the family council is a positive factor for improved cohesiveness in the family. Stronger bonds among the family members improve the family influence on the business since it is able to influence the business in unified manner.

The main issues to discuss at the family council are values, policies and long-term objectives. Besides this, it is common to talk about the participants' personal development and future plans. However at the family council, operative business issues should not be discussed since those are issues that the board of directors and the management team should handle without interference from the family.

- **What are the practical aspects (participants, location, creation and frequency) of the family council?**

The practical aspects of the family council are to be determined by the particular family. However, it is recommended to keep the family council meetings formal and to follow an agenda. Further, the decision to include or exclude spouses needs to be pondered upon and carefully discussed. It is important that everyone in the family council feels comfortable to discuss all kinds of issues and this may be affected by the inclusion of spouses. It is also essential to decide when to include the children (the next generation). The inclusion of the next generation is dependent on the maturity among the individuals. Another aspect to consider is the frequency of the meeting, which depends on how much the family needs and wants to meet and have these kinds of discussions. Nevertheless, three times per year appears to be an appropriate number of meetings. The location of the meetings can vary but it is important that all the participants are at ease. It is not necessarily negative to hold the meetings at the business as long as all the family members experience that there are equality among them, the family members should not perceive themselves as subordinated to the CEO.

- **How does the family council influence the family and the business?**

The family is positively influenced by the family council in several ways. The family council improves the family relations and strengthens the bonds among the family members. In addition to this, the forum also makes the role as a business owner more concrete and assists the family to unified communicate and direct the board of directors. The business, on the other hand, is not directly influenced by the family council. The management team does not experience any major impact from the family council but rather it comes from the board of directors. The board of directors is possibly more influenced by the family council, since it represents the owners, but unfortunately a conclusion concerning this can not

be stated since no board members (who are not a family member) were included in this study. Nevertheless, it can be assumed that the family council is appreciated by the board of directors since it facilitates the communication with the owners.

The active family members (square 1, see figure 4) perceive the family council to have a strong but equal influence on the family members and the owners. In addition, the management team is influenced from the family council through the fact that the family member(s) work in the business, hence communicate what is discussed and agreed upon in the family council. The management team (square 2) – non-owners but active in the business – on the other hand does not experience that there is influence from the family council. Rather, it is a forum where the family members and owners discuss the family issues and relations with the business.
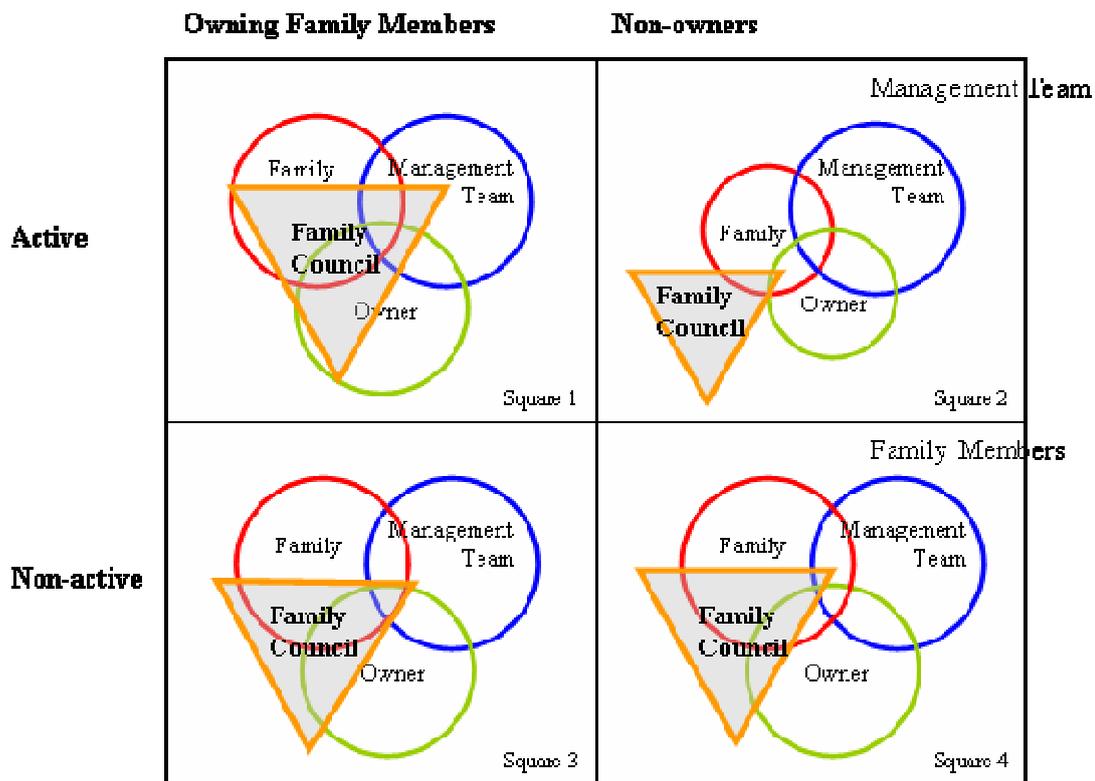

Figure 4: The Influence of the Family Council

The family council is considered by the non-active owning family members (square 3) to be a forum which equally treats family and owner issues, and as such has a strong influence on the family members and owners. They also perceive the family council to have some influence on the management team via the communication through the active family member(s). Family members who are neither active in the business nor owners (square 4), consider the family council to be a forum mainly for family issues and discussions and not so much about owner and business topics. Hence, it has strong influence on the family members but does not impact the management team to a large extent. The owners, who are also family members, are obviously influenced by the discussions at the family council, but they only have to embrace issues that they find relevant and appropriate as owners. Thus, the family council influences the owners but it is up to them to determine what will be applied.

- **What does the communication look like between the family members in the family council?**

The communication between the family members is open and none of the participants are afraid of expressing what they feel, think or believe, even if it concerns sensitive issues. Emotions are a normal factor in the communication which should not be denied or frightening. The communication at the meetings is adjusted to the particular family and its situation. The discussions are sometimes lively and intense and occasionally even include tears.

- **How has the family council affected the communication and possible management of conflicts?**

The family council has improved the communication among the family members. It has strengthened the bonds and increased the respect and trust among the family members.

The family council has also been beneficial when it comes to conflict management. Besides this, it has improved the family members' communication skills to be able to communicate in "the right way" and to handle the possible conflicts that arise. As a result, the family members are not frightened to bring up issues that might cause disagreements or conflicts to occur. If a conflict arises, the communication skills are used to discuss it in "the right way" in the family council. In special cases it might be beneficial to use a facilitator to help resolve the conflict. As can be seen in figure 5, the family council is a crucial forum for family communication and conflict management.
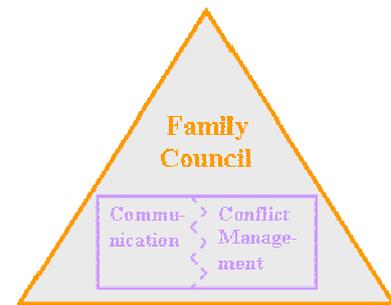

Figure 5: Communication and Conflict Management in the Family council.

6.2 Practical Implications

This thesis has also a normative value. Practical implications indicated in the study, which family businesses should consider, will be stated below.

- **Leadership;** it is important that the leader is respected among the family members (participants); however it may not beneficial to have a dominating individual as leader. Alternation of leadership is useful for involvement and improvement of leadership skills.
- **Participants;** carefully agree upon who should participate; should it be all family members or only the owners, should spouses be included or excluded, should there be an age limit for younger generation and if so which age is appropriate.
- **Frequency;** the frequency of the meetings depend on how often the family needs and wants to meet and discuss these issues, however, three times per year is common.
- **Location;** the meeting should take place where everybody feels comfortable.
- **Structure and Agenda;** the structure depends of the family culture, however to follow an agenda is proven to be beneficial.
- **Issues to discuss;** family values, family mission and vision, long-term objective, succession and the future in general. However, business issues are not recommended to discuss at the family council.
- **Communication with the business;** it is important to have constant communication between the family council and the board of directors to keep each other up dated on current and future situation(s). In addition it is essential that the family is unified in its direction and communication.

- **Conflict management;** family disputes and conflict should not affect the business, the family council is a preeminent forum to discuss and resolve such issues.
- **Equality;** at the family council everyone is equal, independent of position in the business or in the family. All voices are equally valued.
- **Code of conduct;** it is advantageous to create a code of conduct covering these aspects and other rules and guideline for the family council.

7 Concluding Remark

This section will shortly draw attention to some limitations of this study but also put forward some topics for future studies.

7.1 Limitations

A limitation of this study is that the three businesses have all been in contact with educational programs concerning family councils which obviously affected the results. The authors could sense influences from the educational programs when conducting the interviews; sometimes it felt like the interviewee answered what they thought the authors wanted to hear. The fact that educational programs had been attended became clear during the interviews and this was taken into consideration when analyzing the empirical material to avoid the most biased answers.

7.2 Further Studies

For future studies it would be interesting to examine the family council from a more theoretical perspective. To take an approach with larger focus on the governance aspect and to investigate the relation between the family council and the more formal (legal) governance bodies would be appealing. An additional perspective would be to compare and examine informal (kitchen table meetings) and formal family meetings.

It would also be fascinating to conduct a study which extends over a longer period of time so that it would be possible to follow up and perhaps even attend and observe the family council meetings. Besides, it could be interesting to observe and follow the start-up process and the development of a completely new family council. In addition, to study the family council with the support of other aspects such as decision making, structure and organization, emotions, family psychology or the like add to our understanding.

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Appendix 1

Interview Questions

Interview Questions to Family Members

Family Council

- Why do you have a family council?
- When did you start with the family council?
- Why did you start?
- How often do you have the family council meeting?
    - Is that often enough?
- How is your family council structured?
    - Formal/Informal? (familiar)?
    - Is it in accordance with the family culture?
    - Agenda?
- Where do you have the meeting?
    - Why do you have it at that particular location?
- What it the main function of the family council?
- Who participates in the family council?
- How many participants do you have in the family council?
- Do you have an age limit concerning when the next-generation start participating?
    - If yes: which age?
    - If no: why not?
    - If no, it is not a concern at present time: do you think you will have it? If so, which age is appropriate?
- Do spouses participate in the family council?
    - If yes? Always or only when discussing certain questions/issues? Is certain issues discussed only among blood relatives?
    - If yes: why do they participate?
        - What are the advantages and disadvantages with their participation? (would it be more advantageous with/without?)
    - If no: why not?
- Are any of the participants not related (through blood or marriage)?
- Who leads the family council?
    - Why he or she?
    - Do you alternate the leadership?
        - Why?
        - What are the advantages/disadvantages with altering?
    - How is the leader selected?
- Are the bonds within the family strong?
    - Have the bonds within the family changed since you started with the family council?
    - How do you work with the bonds and the cohesiveness among the family members?
- What do you discuss and decide in the family council?

- What are the most important things you discuss? (values, vision, mission, succession, etc.)
- How do you make decisions? (consensus, compromise, vote, etc.)
- How do you handle emotional issues/problems in the business?
- Do you differentiate the different roles as family member, owner and employee?
    - If yes:
        - How?
        - Why is that important?
        - Is it easy to differentiate the different roles?
    - If no:
        - Why not?
        - Is there a need to differentiate the roles?
- Which are the main advantages with a family council?
- Which are the disadvantages with a family council?

Governance

- What is the difference between the family council and the board of directors?
- What kind of relation does you family council have with the:
    - Board of directors?
    - Management team?
- How do you (the family) communicate with the board of directors and the management team?
- Who is responsible for regularly contact with the board and the management team?
- Why is it advantageous to have a family council besides the board of directors?
- How are the members of the board selected?
- How does the family council influence/affect the board of directors?

Communication within the Family and the Family Council

- How is the communication within the family? (in general)
- Has the communication changed since you started with the family council?
- Is the communication of the same style in the family council compared to other more private occasions?
- Is it an open communication where everyone expresses what and how they feel?
- Do all the participants participate both by listening and talking? (Or is it always the same individuals that talk?)
- What factors are there that can affect the communication? (obstacle, hidden agendas)
    - Positive?
    - Negative?
- Which are the main and crucial factors for open and effective communication?
- Is there trust among the family members and the family and the business?
- How do you maintain a well functioning communication?
- Are there a lot of disagreements and conflicts within the family?
- How and where do you handle possible conflicts?

- What are the advantages and disadvantages with conflicts?
  (increase motivation and cohesiveness, more opportunities)
- Are there old conflicts which have not been discussed and resolved?
  - How does this affect the communication and the atmosphere in the family?
  - How does this affect the relation with the board of directors and the management team?
- Do you discuss sensitive (emotional) issues/problems openly or do you try to avoid them?
- How do you avoid that conflicts (small issues) grow to bigger problems?
- Do you have a code of conduct where it is explained how one should behave as family member, owner and employee? (Appreciate, accept, respect each others etc.)

- What are the advantages with family businesses?
- Is it important for you (as an individual) that the business stays as a family business?
- Is it an important part of the business vision and character to stay as a family business?

- Is there anything else you would like to add?

Interview Questions to Non-Family Members

Family Council

- Why does the owner family of the business have a family council?
- When did they start with the family council?
- Why did they start?
- How often do they have the family council meeting?
  - Is that often enough?
- How is the family council structured?
  - Formal/Informal? (familiar)?
  - Is it in accordance with the family culture?
  - Agenda?
- What it the main function of the family council?
- Are the bonds within the family strong?
  - Have the bonds within the family changed since they started with the family council?
  - How do they work with the bonds and the cohesiveness among the family members?
  - How do they/you work with the bonds and the cohesiveness among the family and the business?
- How do they handling emotional issues/problems in the business?
- Do they differentiate the different roles as family member, owner and employee?
  - If yes:
    - How?
    - Why is that important?

> > ▪ Is it easy to differentiate the different roles?
> - o If no:
> > ▪ Why not?
> > ▪ Is there a need to differentiate the roles?

Governance

- What do they discuss and decide in the family council?
  - o How does that differ from the tasks of the board of directors?
- What are the most important things they discuss? (values, vision, mission, succession, etc.)
- What kind of relation does the family council have with the:
  - o Board of directors?
  - o Management team?
- How does the family communicate with the board of directors and the management team?
- What is the difference between the family council and the board of directors?
- Who is responsible for regularly contact with the board and the management team?
- Why is it advantageous to have a family council besides the board of directors?
- How are the members of the board selected?
- How does the family council influence/affect the board of directors?
- Can the board of directors affect the family council and in such case how and concerning which questions?

Communication

- How is the communication within the family? (in general)
- Has the communication changed since they started with the family council?
- What factors are there that can affect the? (obstacle, hidden agendas)
  - o Positive?
  - o Negative?
- Which are the main and crucial factors for open and effective communication?
- How do they maintain a well functioning communication?
- Are there a lot of disagreements and conflicts within the family?
  - o Are there a lot of disagreements and conflicts between the family and the business?
- How and where are possible conflicts handled?
- What are the advantages and disadvantages with conflicts?
  (increase motivation and cohesiveness, more opportunities)
- Are there old conflicts which have not been discussed and resolved?
  - o How does this affect the communication and the atmosphere in the family/business?
  - o How does this affect the relation with the board of directors and the management team?
- Are sensitive (emotional) issues/problems discussed openly or do they/you try to avoid them?
- How do you (one) avoid that conflicts (small issues) grow to bigger problems?

- Do you have a code of conduct where it is explained how one should behave as family member, owner and employee? (appreciate, accept, respect each others etc.)

- What are the advantages and disadvantages with family businesses?
- Is it important for you (as an individual) that the business stays as a family business?
- Is it an important part of the business vision and character to stay as a family business?

- Is there anything else you would like to add?