

Questions Family Businesses Need to Ask before Transition

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The questions below will help the ownership of a family business begin the transition process. It is by no means the only tool that should be used, and should be seen as a starting point.

This questionnaire has been developed to be used in early meetings with family business clients contemplating transition, and we find it to be an invaluable initial planning tool.

- 1 Are family members (especially children of the founding generation) entitled to ownership on transition due to:
 - Birthright; or
 - Active involvement in the family business.
- 2 What is your definition of active involvement? Will the offspring working in a non-managerial role be given as much of a stake as those in managerial roles? Do years of service matter?
- 3 Who will get a salary from the family business? And at what rate?
- 4 Who is, in fact, the family?
 - Direct (blood) descendants?
 - Adopted children?
 - Spouses? In-laws? Etc...
- 5 Who should work in the business? Only those qualified, or do you find a place for everyone, no matter what their talent and skill level?
- 6 When and how to get rid of an underperforming family member in the business? (known as "pruning the family tree")
- 7 Should children be encouraged to attend university before contemplating joining the family business?
- 8 Should children work elsewhere before joining the family business?
- 9 Should there be a non-family member in a key management position?
- 10 Should there be a Family Counsel "chaired" by a non-family member?
- 11 Do you need a Family Business Constitution? *This idea will be discussed in our next blog post!*