

The Family Business Constitution: Why You Need One – Part 1

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Unlike a Family Counsel, whose objective is to provide a sounding board for family members and to assist in conflict resolution and/or arbitration, the Family Business Constitution is a written document that serves as a roadmap for business continuity and family harmony.

The difference between the family business constitution and a shareholders' agreement are the signatories. All family members are party to the family business constitution, not just owners.

What follows is Part 1 of 2 articles on the Family Business Constitution.

THE FAMILY BUSINESS CONSTITUTION SHOULD PROVIDE GUIDANCE ON:

1. The family dreams, goals and visions. It should attempt to outline how to integrate the family business into family life, i.e. how to balance commercial interests against:
 - Family preferences;
 - Paternal attitudes towards employees (family and non-family employees), retired or retiring family business members, and tenants of family owned building, local residents vs family members living out of town.
2. Communication structure between family on business matters, non-business matters and family issues:
 - Conflict resolution mechanisms, both an informal process and a formal process that would include the Family Counsel;
 - Family employment/personnel policies;
 - Compensation;
 - Frequently encountered and predictable problems;
 - Family governance;
 - Family policy and guidelines for acceptable behaviour;
 - Emergency planning.