



## 'FROM VALUES AND VISION TO SETTING UP A FAMILY COUNCIL, THE RIGHT STRUCTURE DEPENDS ON MANY FACTORS'

### KEY QUESTIONS FOR REVIEWING FAMILY GOVERNANCE ARRANGEMENTS

Christian Stewart provides a checklist of fundamental questions to consider when reviewing the effectiveness of family governance arrangements.

- Are there regular family meetings? hold meetings to talk about the terms of the family trust(s)?
- How are family members kept engaged and in support of the family business governance system?
- How are you maintaining a balance between what is good for the family and what is good for the family enterprise?
- What topics must you educate the family member owners about so they can play a meaningful role in the family governance system?
- Do the family members, as owners, have a common vision and a common view on where the family enterprise is going?
- Does the family have a common view on risk, liquidity, strategy, values and the people who fill the senior executive and board roles?
- Is there an exit plan, and, if so, is it fair for the vendor and the purchaser?
- Are the family values real values? Do they help the owners make joint decisions together?
- Is the family involved in strategic planning for the family enterprise?
- How does the family view conflict? Does it have a process for resolving conflicts and deadlocks? Is there a process to ensure that conflicts are not avoided?
- If there is a family trust, is there a family governance system as well? Do the family
- How does the family council talk to the board?
- If there is a family trust, is there also an exit plan? Often family trusts don't make an exit easy, but pruning the family tree helps preserve family businesses.
- If there is a family trust, will it enhance the lives of its beneficiaries, or will it harm them?
- Is there a process for you to point out the transitions the family will face in the next ten years, and advise them on steps they can take to prepare for those transitions?
- Is there a process for encouraging entrepreneurial activity in the next generation?
- If the family owns a business, does it have an employment policy that requires at least three to five years of outside work experience?
- When did you last review the family governance system, constitution, policies and related agreements?



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their governance needs to reflect this. Management, board and corporate structures, together with clearly defined reporting lines, are vital components of effective family business governance. Some family businesses, particularly larger ones, also create structures to manage the relationship between the business and the family. These help improve communication and ensure that the expectations of all stakeholders are managed.

From defining values and vision to setting up a family council, the right structure depends on many factors, including the nature of the business, the degree of

