



FAMILY LEGACIES

DEVELOPING FAMILY BUSINESS POLICIES

Listed below are some of the steps you & your family can expect to go through in developing a policy for your family business.

We urge families to hold off discussion or debate of any policy until after step “5.” When discussion begins too early in the process, family members start to “freeze up” in their opinions and get locked into positions, often based on some self-interest.

The following steps are designed to help family members avoid getting frozen so that they can move forward toward adopting policies that best fit the needs of the family and the business:

- 1. Choose a policy to begin developing.** Factors that go into this choice: (1) Policy guidelines you need now and in the next generation; (2) The stage of your family's business –first generation, second, third, and so on; (3) Your family's experience in developing policy–the less experienced you are, the more you need to start with a simpler policy; (4) The level of harmony in your family–again, the more conflicted family members are, the more they need to start with a simpler policy on which they can “practice” and gain experience in working together.
- 2. Assign roles and responsibilities.** You will need someone to shepherd the process and perhaps a separate person to lead discussion; someone to record the discussion; several people (or perhaps the entire committee or task force) to do research; someone to write the first draft and revisions; and, ultimately, someone to gather policies and background documents (data gathered, notes on discussion, etc.) in a master policy manual—a large notebook, perhaps.
- 3. Be sure the family has established meeting rules.** Some key rules include: How will decisions be made? What happens if someone is not participating in the discussion? How will discussion be managed?
- 4. Begin to identify the dimensions of the policy.** For example, some of the considerations related to an employment policy might be: Should in-laws be eligible to work in the business? If somebody leaves the business, can they come back? Can a mother with young children work part-time–indefinitely? If somebody has been fired, can he come back?
- 5. Seek advice and counsel outside the family.** Get the advice of your family business advisors - your lawyer, your accountant, the independent directors on your board.
- 6. Draft and discuss a preliminary policy statement.** The draft should begin with a short statement, or preamble, describing the philosophy behind each policy. For example, a dividend policy would not begin with the formula the family would use to determine dividends; it would begin with a statement of what the family hopes to accomplish and what values it wishes to express with its dividend policy.

Remember to have someone capture the discussion on paper—that will be invaluable to you in reviewing what you have done and avoiding misinterpretation. It will also be invaluable to future generations, helping them to understand why you have made the choices you have made and the struggle that went into your choices, including the differing and sometimes dissenting points of view of particular family members.

- 7. Ask your board or outside advisors to review the draft and give input.** Have you covered all the issues? Is it fair?
- 8. Redraft and re-discuss the policy as needed.** Date each draft so that you have a recorded history of the policy. Continue to have someone record the discussions.



9. **Once the drafting committee has reached agreement, the document can be presented for a final decision to the appropriate body,** be it the relevant members of a smaller family or medium-sized family, or the family council of a larger family.
10. **Once the family or family council has reached agreement, the policy is ready to be ratified.** But wait. We suggest you not ratify a policy at the same meeting at which you have come to agreement. Run it by the board of directors or outside advisors one more time, saying, "These are the family's final feelings on this policy. If you see anything glaringly wrong, please let us know. Otherwise, this is our opinion on the subject."
11. **Assuming board members or outside advisors don't see a problem, go ahead and ratify the policy.** A nice touch is to pass the final document around and have all relevant members of the family sign it.
12. **Add the original policy, with its supporting documents,** to your master policy manual.

POLICY AREAS

When it comes to adopting a policy, no one size fits all. We help you define a process to create and implement policies that align the family through shared dialogue. The family can confidently take action with clear guidance on applying the family's values to business decisions.

FAMILY ENTRY & EXIT

Define the criteria for family employment and participation in family meetings, family councils, board meetings and more. Allow for graceful exits as appropriate.

COMPENSATION & PERFORMANCE MANAGEMENT

Establish a compensation policy identifying the basis for pay, perks and promotions, as well as the consequences of non-performance.

ROLES & RESPONSIBILITIES

Clarify the appropriate voice and decision making process for family members as management, owners, directors and family members. Give everyone a voice and allow for well-informed and efficient decisions.

COMMUNICATION PROCESS

How will family members be kept informed? What do owners have a right to know, and what matters must be kept confidential? How can family concerns be voiced?

BUSINESS & FAMILY LEADERSHIP

Create policies and processes that ensure successors must earn the right to be the business leader.

Securing Your Legacy for Future Generations

MULTIDISCIPLINARY FAMILY BUSINESS CONSULTING