

Family Constitution / Charter

'The guidelines by which the family agree to abide'

The value of a carefully considered Family Constitution developed in consultation and consensus with all family members is immense. The idea of such a document is to develop 'Family Lore', spelling out the Family's values and its policies in relation to the business.

In most cases a Family Constitution is not 'cast in stone' as it is not a legally binding document. The intention is to set a framework, which will remain with the family, for many years to come, often clarifying the legacy of past generations and stewardship for future generations.

The Family Constitution will therefore need to be carefully drafted to ensure that it provides a workable mode of operation for this purpose.

The Family Constitution is likely to include the family's policies on such matters as:

- family vision, mission and values
- family code of conduct
- ethical guidelines
- family job specifications and principles of remuneration
- leadership and management structure
- voting and share ownership
- establishment and working of a Family Council
- family assembly and social gatherings
- communication
- family education and development
- requirements of family members before joining the family business
- appointment and role of the Chairman & family Directors
- arrangements for potential vendors of shares and exit mechanism
- procedure for amendment of the Family Constitution.

This is not intended to be an exhaustive list, only an illustration of some of the areas which might be covered by a Family Constitution. Clearly it would have to be designed specifically to suit the family's purpose.

Documenting decisions relating to family working in the business, for the benefits of those both within and outside the business provides clarity for family members. Often a family retreat is the best forum to develop this document as it allows all parties to consider and debate their views away from distractions. Ideally, the family would go through the process of developing a Family Constitution as a matter of 'Best Practice,' to minimise the potential for conflict so often seen in family businesses. An independent third party facilitator or professional adviser skilled in family business dynamics is best suited to leading this process.

The Family Constitution should be regularly reviewed to ensure it still meets the needs of the family as it grows.

The experience and work the family does together to create this framework will have as much, if not more, value than the actual paper document produced at the end of the process. When a family reach consensus and develop 'buy-in,' this emotionally binding document becomes very powerful in building a stronger family and family business preserving the family wealth and values for generations to come.

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