

FAMILY BUSINESS GOVERNANCE

Separate but Whole: Governing the Family Business

Governance means gathering capable people around a board table to make sound decisions for the company and everyone with a stake in it. In a family enterprise that table carries a second job: keeping family matters and business matters in their own rooms, so neither one distorts the other.

Why Family Business Governance Is Different

Two domains share one company, and they run on opposite instincts. Governance does not resolve the tension. It gives each domain a legitimate place to speak.

THE FAMILY DOMAIN	DIMENSION	THE BUSINESS DOMAIN
Emotional • Informal • Stability first	TEMPERAMENT • STRUCTURE • PRIORITY	Unemotional • Formal • Profit first
Long-term • Continuity • Lasting management	HORIZON • ORIENTATION • LEADERSHIP	Short-term • Innovation • Changeable management

Complexity Compounds With Every Generation

The governance a founder needs will not hold a sibling partnership together, and neither will carry a cousin consortium.

<p>GENERATION ONE</p> <p>Owner-Manager</p> <p>One decision-maker. Ownership, management, and family share one chair.</p> <p><i>"Me"</i></p>	<p>GENERATION TWO</p> <p>Sibling Partnership</p> <p>Shared control among people with history. Fairness becomes the question.</p> <p><i>"Us"</i></p>	<p>GENERATION THREE</p> <p>Cousin Consortium</p> <p>Many owners, most outside the business. Interests diverge and need voice.</p> <p><i>"Them"</i></p>
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Four Governing Bodies for the Family Business

<p>FAMILY</p> <p>Family Council & Assembly</p> <p>Agrees values, vision, and conduct. Sets family employment policy.</p>	<p>FAMILY & OWNERSHIP</p> <p>Shareholder Meetings</p> <p>Votes shares on major issues, approves buy-sell terms, elects directors.</p>	<p>OWNERSHIP & BUSINESS</p> <p>Board of Directors</p> <p>Meets fiduciary duty, tests strategy, owns succession planning.</p>	<p>BUSINESS</p> <p>Top Management</p> <p>Runs the company against the plan and reports to the board on a fixed cadence.</p>
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Assess the Governance in your Family Business

<p>STRUCTURE & FORUMS</p> <p>The board meets on a set schedule with a written agenda. ☐ YES ☐ PARTLY ☐ NO</p> <p>Shareholder meetings are held separately from management meetings and family gatherings. ☐ YES ☐ PARTLY ☐ NO</p> <p>At least one independent, non-family voice sits on the board or an advisory board. ☐ YES ☐ PARTLY ☐ NO</p> <p>DECISIONS & RECORDS</p> <p>Approvals, votes, and critical decisions are captured in written minutes. ☐ YES ☐ PARTLY ☐ NO</p> <p>Written policy governs how family members are hired, promoted, and paid. ☐ YES ☐ PARTLY ☐ NO</p> <p>Owners review financial and ownership statements on a regular cycle. ☐ YES ☐ PARTLY ☐ NO</p>	<p>FAMILY ALIGNMENT</p> <p>A written family constitution or charter covers values, vision, and conduct. ☐ YES ☐ PARTLY ☐ NO</p> <p>A family council meets to handle family matters apart from operations. ☐ YES ☐ PARTLY ☐ NO</p> <p>Owners who do not work in the business have a defined way to be heard. ☐ YES ☐ PARTLY ☐ NO</p> <p>CONTINUITY</p> <p>A timetable with clear milestones is in place for succession. ☐ YES ☐ PARTLY ☐ NO</p> <p>Succession for the top leadership role is documented rather than assumed. ☐ YES ☐ PARTLY ☐ NO</p> <p>Estate and tax plans align with the ownership transition plan. ☐ YES ☐ PARTLY ☐ NO</p>	
<p>19 – 24</p> <p>Formalized</p> <p>Structure is in place. The work turns to stress-testing it against the next ownership change.</p>	<p>11 – 18</p> <p>In Transition</p> <p>Some forums work, others exist on paper. Gaps cluster in one or two areas.</p>	<p>0 – 10</p> <p>Informal</p> <p>The company runs on the owner's judgment. That works until it has to work without them.</p>
<p>Scoring: Yes = 2 points • Partly = 1 point • No = 0 points. Total the twelve statements out of 24. The individual zeros matter more than the total, and they are where the conversation starts.</p>		

Professionalize now, not at the closing table.

Formal governance smooths operations, removes role ambiguity, sharpens strategy, and raises company valuation. Reach out to discuss the results of your assessment.

START THE CONVERSATION

www.pinsetadvisors.com

mbraun@pinsetadvisors.com