



# EISNER AMPER

## Center for Family Business Excellence

### FAMILY CHARTER DEVELOPMENT GUIDE

You can use this document to help define what components you want to include in your Charter. It also gives helpful examples of the types of items to include and sample language in several categories.

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Draft \_\_\_\_\_ Family Charter  
\_\_\_\_\_ Family Mission and Vision

*The \_\_\_\_\_ family will... because...*

In this section, you can develop a long-range vision for the family enterprise – knowing that it is subject to change. This gives you a chance to talk about the future and what you want to potentially achieve.

*Our Desired Reputation as Owners/Board Members:*

In this section, you'll document the reputation that you want to develop, as a family that owns a significant business that impacts many lives. What do you want employees, the community, your extended family, your customers to say/think/believe about the family as business owners and entrepreneurs?

*Our Personal Reputations in our Role in the Family Business:*

**Name:** This is your opportunity to declare your own personal intentions as a leader and family member. Perhaps you want to be known for being fair, or tough or innovative. Maybe you are interested in being benevolent or particularly driven and resourceful. It is helpful to discuss what you are trying to achieve so that you can support each other in your intentions and not work at cross purposes.

**Name:**

**Name:**

## Our Desired Organizational Culture:

In this section, you can document the type of organization you are trying to build. How do you want employees to feel about being part of this company, or host of companies? How do you want to feel when you go to work or show up for board meetings? Some leaders want a culture of innovation and motivation. Others want to commit to quality and adherence to proven standards. You may want a culture that is relaxed and fun-loving or one that is professional and competitive. There is no right or wrong answer – but it needs to be a place that you will enjoy and that will make you proud.

### *Maintaining a Strong Partnership and Commitment to the Charter:*

- These are ways in which you are going to work together to improve communication, family harmony and business sustainability.
- Below are some examples.
- When and how we will communicate with one another – in person, by email, by phone?
- When we will hold board or other meetings important to the business and its owners?
  - Hold two board meetings a year, with two additional quarterly review discussions by phone.
- Give each other performance feedback.
  - Annual check in on our commitment/position and future role in the company.
  - Set and review performance metrics.
  - Rate ourselves against the cultural competencies and ask for feedback.
  - Review strategic plan – set responsibilities for the goals and times to discuss results and achievements – against those responsibilities.
- Annually review of key/risk management documents.
  - Create and review operating agreement.
- Annually review of financial management.
- Annually review the value of the company (set desired future value in five years).
  - Monitor against that goal – set strategies to reflect this goal.
- Review hiring strategies regularly. Are we on the same page – hiring for the future, growing for the future? Test against our organizational culture.

## Key Policies for a Healthy Family and Healthy Business

(EXAMPLES ARE GIVEN FOR EACH)

### *Owner/Board Members Responsibilities:*

- A description of how owners and board members are expected to perform.
  - Be engaged and prepared for board meetings
  - Maintain confidentiality
  - Attend each meeting, in person or virtually
  - Be fully responsible and follow-through on assignments and agreements
  - Send questions for the board meeting one week in advance.

### *Active Corporate Officers Responsibilities:*

- A description of how corporate officers are expected to perform
  - Maintain and provide transparent, accurate and timely financial information
  - Maintain all financial management at the highest professional, legal, and ethical standards
  - Provide the following for board meetings: quarterly financial information, P&L across all entities, current legal proceedings, new senior level hiring decisions, audit committee meeting notes and findings
  - Maintain accurate corporate records including...
  - Facilitate the sharing of information with the leadership team and board as agreed

### *Hiring Policies for Family Members*

- What are the privileges and responsibilities of family members when it comes to working in the family business?
  - A family member seeking employment with the company will be required to...
  - Family members will be hired, compensated, trained and disciplined using the same practices and policies required for all other personnel

### *Compensation for Owners and Corporate Officers*

- An understanding of all forms of compensation.
  - Policy for paying for board participation (?)
  - Policy for distributions
  - Policy for officer compensation, including deferred compensation
  - Policy for performance bonuses

### *Conflict and Performance Management*

- A description of how you can agree to treat one another.
  - Avoid zingers (!)
  - Stay in the present
  - Present facts
  - Deal with potential problems early
  - Keep the lines of communication open

- Legal documents that will support this charter include:
  - Those legal documents that have been created that help define and govern the family business.
  - Buy/Sell Agreement
  - Bylaws
  - Individual Estate Plans
  - Other

- Charitable Giving and Philanthropy

In this section, we will develop your philosophy and identify the areas that are important to the family. Specifics will come later – as philanthropy can form an important part of estate planning and tax management.

- Formation of an Advisory Board

In this section, state the purpose of the advisory board and the process elements, but not the details of who and when until a strategic plan is complete.

- We Will Know We Have Been Successful If ...

Write a summary statement that describes your vision or the behavior you'll witness as a result of the successful adoption of a Charter.