

The Family Constitution

Elements of a best-in-class family constitution - Fourteen elements with sub-elements

The constitution follows a deliberate arc:

Who we are → What we own and how → How we decide → How capital flows → How family members engage with the business → How leadership renews → How the family holds together over time.

1. Family history, purpose, joint family values and future plans

- Origin story and defining moments that shaped the family and the business
- Statement of purpose: Why the family chooses to remain together as owners
- Core values translated into observable behaviours, not just slogans
- Shared long-term ambition for the enterprise, the family and its legacy
- Definition of “family” for constitutional purposes (in-laws, adopted members, future generations)
- Family code of conduct: How members carry the family name in public, in the media and on social media, and in political and independent ventures

2. Ownership strategy

- Ownership philosophy: Concentration vs. dispersion, perpetual vs. reviewed
- Chosen structure (holding company, trusts, foundation, share classes) and rationale
- Internal share market principles: Who may hold, transfer restrictions, pre-emption rights
- Buy-sell mechanisms, valuation formula and funding of exits
- Policy on external capital, minority partners and eventual listing
- Protection of ownership on marriage, divorce, death and incapacity: Marital agreements, wills and estate plans aligned with the constitution

3. Allocation of power and responsibility

- Distinction between family, ownership, board and management roles
- Reserved matters at each level and required majorities
- Delegation principles: What is decided by the family, what is delegated to the board
- Accountability lines: Who reports to whom, on what, how often
- Rights and duties of owners (voice, vote, information - and the obligations that accompany them)

4. Family committees and communication platforms

- Family assembly: Membership, frequency, decision rights
- Family council: Mandate, composition, election, term limits
- Task committees (education, philanthropy, constitution review)
- Communication cadence and channels: what is shared, with whom, how
- Protocols for confidentiality and public communication
- Owners' council or shareholders' committee where ownership and family are not the same group

5. Key corporate governance principles

- Board composition: Family, independent and executive balance; selection criteria
- Board mandate, committees and evaluation cycle
- Chair and CEO roles and whether they may be combined, selection criteria, process
- Information rights and transparency standards toward owners
- Interface rules between board and family forums to avoid bypass

6. Liquidity strategy and compensation

- Dividend philosophy: Reinvestment vs. distribution and the formula behind it
- Capital allocation priorities across the business, the family office and philanthropy
- Liquidity windows and mechanisms for members wishing to reduce holdings
- Principles for family member compensation in ownership, board and executive roles
- Treatment of shared assets (real estate, art, holiday properties) and who bears their cost
- Financing of family members and their ventures: Family bank, loans, guarantees and the policy on new ventures

7. Business rules of engagement

- Entry criteria for family employment: Qualifications, external experience, minimum age
- Recruitment and evaluation process, with independence from the family line
- Compensation at market rates, decided outside the family
- Exit and removal rules, including underperformance
- Conduct expectations: Conflicts of interest, related-party dealings, use of family name

8. Career development policies for family employees

- Career paths that do not assume a route to the top
- Performance management by non-family superiors with transparent criteria
- Rules on lateral moves, external secondments and re-entry
- Treatment of family employees who plateau
- Protection of non-family talent: visible fairness in promotion

9. Succession process

- Separation of three successions: Ownership, board leadership and executive leadership
- Defined process, timeline and decision-makers for each
- Retirement ages or tenure limits for family in executive and board roles
- Emergency succession and interim arrangements
- Role of the outgoing generation after handover

10. Leadership development plans

- Competencies required for family leadership roles at each level
- Individual development plans with external assessment
- Exposure pathways: Rotations, board observer seats, external roles
- Mentoring and sponsorship from senior family and non-family leaders
- Readiness review before appointment, not after

11. Next generation talent development (academy)

- Ownership education curriculum by age band (financial literacy, governance, industry)
- Structured programme: Annual academy, internships, project work
- Engagement of the non-employed next generation as informed owners
- Funding and governance of the academy itself
- Recognition that participation is an obligation of ownership, not an option

12. Family welfare strategy and supporting vehicles

- Scope of support: education, health, housing, emergencies, dependents
- Boundaries between welfare and ownership economics (no dividends as welfare)
- Vehicles: family office, trusts, foundation, benevolent fund
- Eligibility, approval authority and confidentiality
- Philanthropy and social impact strategy and its governance

13. Conflict resolution

- Early-warning and informal resolution norms
- Escalation path: family council → mediation → arbitration before litigation
- Role of trusted independent advisors or an ombudsman
- Behavioural commitments during disputes (no public dissent, continued dividends)
- Consequences of breach: Proportionate sanctions, decided by the family council, with a right of appeal

14. Amendment and review of the constitution

- Review cycle (typically every 3–5 years or at generational transition)
- Required majority and process for amendment
- Relationship to legally binding documents (shareholders' agreement, trust deeds)
- Ownership of the document: Who is the custodian
- Signatories and accession: Who signs, when the next generation and spouses join, and the exit route for those who decline