

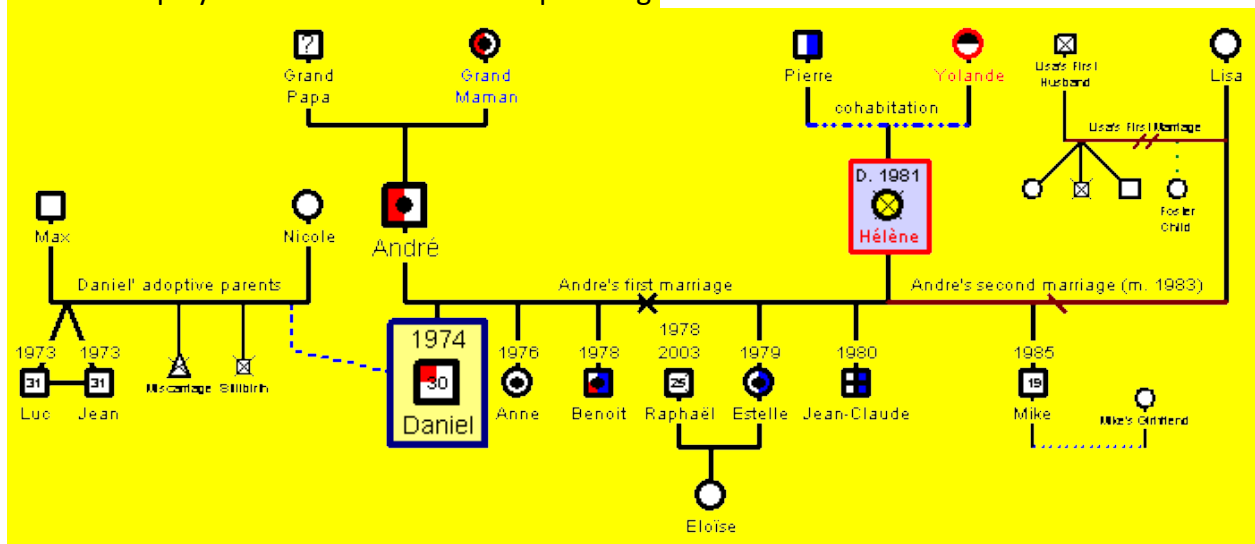
Chapter 2

Zero-sum dynamics and family culture

- Generally happens when the business stops growing or is in decline
- Us and them behavior, multi-generation families can generate zero-sum dynamics.
- Zero-sum dynamics in a relationship are characterized by exchange in which one party's perceived gain is the other party's perceived loss.
- Richer vs poorer, male vs female, better educated vs less educated

Genogram

A genogram informs us not just of family names, relationships, ages, and lineal descendants, but also captures critical events (e.g., a divorce), the quality of relationships (e.g., highly conflictual or extremely close), and important messages transmitted across generations (e.g., "education and hard work are both important"). It can alert us to patterns of illness (e.g., heart attacks and alcoholism) and to the role that a second marriage and the younger heirs could play in estate and succession planning.



Benefits of family meetings (Beating the odds of having to deal with zero-sum dynamics)

Family members have to develop policy and set direction.

Planning and policy making

Family meetings must address three critical issues:

1. Educating uninformed members
2. Communication of the necessary information to the uninformed members through open and safe processes by experts.
3. Developing effective planning and policy making bodies

Policies in a family council ESBFPDLEF

- An employment policy that outlines the prerequisites for employment in the business. Education, experience, and the expectations the company has of family members seeking full-time employment in the firm are spelled out. Employment opportunity should be based on merit and company need, not having the right last name.
- A subcontractor policy that offers guidelines for arms-length transactions in an open competitive marketplace. The contractor-selection process should represent a level playing field for both relatives and nonfamily.
- A board-service policy that includes criteria for the selection of family members to serve as at-large representatives of the owning family on the board. The system should provide a link between family strategy and company strategy without giving undue influence to family members.
- Family council policy that states the criteria for the selection of family members to serve as group coordinators of the family council and other committees that may be formed.
- A prenuptial policy that states the family's desire to keep the ownership of the business within the family and the steps required to every family member when they marry.
- A dividend policy, not to specify the amount of dividends to be paid (which is a company decision), but rather to discuss family needs; to balance those needs against reinvestment in the business for growth needs; and to inform the board and management of the general sentiments of family members.
- A liquidity policy that includes principles supporting the desired relationship between the controlling family and the company in the future. This policy recognizes that individuals or particular family branches may have cash-flow needs or may prefer to allocate their capital to alternative uses. This policy usually differentiates between small transactions and the sale of large blocks of stock within the family or back to the company and references the legal documents in effect (such as buy-sell agreements).
- Expectations for returns on equity or invested capital by shareholders.
- A family constitution. This document usually includes a family mission statement, a listing of family values that are important to the family enterprise and that the earlier generation wishes to pass on to the next, a collection of the policies listed under point 4 above (employment, liquidity, etc.), a list of governance bodies and their function and a statement of family history, family commitment, and the desired relationship between the company and the owning family going forward.

Guidelines for policy making IUFUA

1. Involve as many family members as are relevant to a particular policy.
2. Understand the big picture and formulate a mission statement
3. Focus on current state and let go of the past
4. Use experienced facilitators

5. Agree on the process you will follow to develop, review, edit, redraft, approve and ultimately enact policies.

chapter 3

Order to achieve competitive advantage:

A family business has the following advantages which are not easily replicated:

- speed and flexibility
 - long-term strategies — reinvent themselves on a new growth path
 - strategic focus on protected niches
 - customer orientation — improve competitive fitness through value creation for customers
 - patient capital in the presence of practices that safeguard trust and family unity
-
- Jointly optimizing the ownership, management and family subsystem
 - Controlling agency cost
 - Ultimately exploiting the unique availability to family business.

The seven primary sources of value on which family companies can build competitive advantage are: FPPBCCP

- financial resources, such as cash and securities;
 - physical assets, such as plants and equipment;
 - the product (sometimes protected by patents) and its price and performance;
 - brand equity, which is the market's perception of a distinction in quality or reputation, a perception created over time;
 - organizational capabilities, which are the competencies residing in employees and unique organizational architectures;
 - customer–supplier integration (once called “distribution and logistics”), which includes new ways of getting the product or service to the customer in any form, at any time, and in any place; and
 - a positive family–business relationship, the source of patient family capital.
- Combining these seven sources of value in various ways, as if different pieces in a custom-assembled puzzle, will give rise to a unique business model, one that is rooted in the core competencies of the business and can create value for both the owners and the customers.

Buy-sell agreements

Buy–sell agreements are contractual arrangements between shareholders and the company. They are typically used by family business owners to facilitate an orderly

exchange of shares in the corporation for cash. The most obvious benefit of a buy–sell agreement is that it allows some family members to remain patient shareholders while providing liquidity to family members with other interests or goals. In this way, families can prune the corporate family tree across generations. A buy–sell agreement is often the primary vehicle through which family shareholders can realize value from their highly illiquid and unmarketable wealth—company stock. The ability to sell their stock and achieve liquidity, even if unexercised, often pleases previously dissatisfied shareholders. Most recommit, retain their shares, and engage in a renewed and revitalized spirit of enterprise ownership with the rest of the family. Although most buy–sell agreements are written so that only death or discord triggers their use, some are created to provide liquidity windows for family members in general. Dissident shareholders, for instance, may be mollified by an annual redemption program funded by annual contributions from cash flow or retained earnings earmarked for this shareholder redemption fund or pool. This would apply only in the case of privately held, family-owned companies. (In some cases, a family holding company structure would allow shareholders of family-controlled but publicly traded firms to establish a similar arrangement.) The redemption fund is typically constrained by risk-management limits. The debt/capital ratio of the firm, for instance, cannot exceed a safe limit determined by the board and still have stock redeemed that year.

Chapter 6

IS THE NEXT GENERATION GOOD ENOUGH TO RUN THE BUSINESS? ASECIIF

Evidence of the readiness of the next-generation members to lead can be found in their attitudes (work ethic and commitment), values and education. The systematic review of **succession experiences** has led to the following conclusions:

- 1) When a successor is held **accountable for profit or loss**, the **results** determine his or her capability and readiness to be a successor.
- 2) Next-generation members can earn respect through **solid performance and interpersonal skills**.
- 3) **Education, especially in the form of an MBA**, helps successors to gain both the skills and confidence to advance from middle to top management, even though they lack specific family-business training.
- 4) **Coaches and mentors**, both inside and outside the family, contribute to the development of successors.
- 5) An **independent assessment of the strengths and weaknesses** of a potential successor, followed by feedback and appropriate coaching, contributes to the preparation of a successor.

6) **Through a final review of successor performance and company-strategy fit**, the board of directors or independent outsiders can advise on the timing of succession.

Characteristics of successful Next – Generation leaders share these characteristics

BSLGGCESF

- They **know business** and **love the nature** of the business
- They **know themselves and their strengths and weaknesses**, have had outside experience and education
- They want to **lead and serve**
- They are **guided** responsibly by the **previous generation**, advisors and board members
- They have **good relationships** and the **ability to accommodate** others
- They have **controlling ownership or have the ability to lead through allies**.
- They have **earned the respect of nonfamily employees**, suppliers, customers and other family members
- Their **skills and abilities fit the strategic need** of the business
- They **respect the past and focus their energy on the future** of the business and the family

Chapter 7

THE UNIQUE ROLES OF THE CEO SPOUSE

CEO spouses play a key, if not invisible, role in most family-controlled corporations. Some spouses begin as business partners during start-up and through the early stages of development before moving over to a different role. There are economic benefits of having two highly committed owner-managers working side-by-side as it can include a more flexible and lower-cost management structure.

However, benefits seldom come without complications.

The CEO spouse's unique roles include:

- Steward of the family
- Facilitator of communication
- Touchstone of emotional intelligence in family relations

ROLE TYPES OF THE CEO SPOUSE AND THE TRANSFER OF POWER

Six leadership or role types have emerged from research, and these are discussed in detail in the prescribed book

BCSFJI

1) The business partner:

Some spouses are critical to the business, whether through their financial investment in it or because of their professional, technical, or administrative skills. Some of these spouses begin as business partners during the start-up and early stages of company development and then move on to a different role. The business partner's advice is often required, both on and off the job. He or she shows up regularly for work and is responsible for a variety of projects. Or they may be large shareholders (e.g., 50-percent owners) and therefore act as a full partner of the CEO. The economic advantages of having two highly committed owner-managers working side by side can include a more flexible and lower-cost management structure.

2) The chief trust officer:

Some CEO spouses see their major contribution to the family-owned business as providing **the glue** that keeps everyone united through the predictable challenges faced by families who work together. These spouses, known as chief trust officers, **act as healers, mediators, facilitators, and communication conduits for their families**. They are the fence-menders in business and family relationships. Individuals performing this role are sometimes referred to as **trust catalysts**.

3) The senior advisor/keeper of family values:

While **nurturing a love for the business among family members**, senior advisors often have **no visible role** in the business. Their independence and lack of visible influence over business issues **enhance the respect they command** in matters of great importance to the family and the business. The senior advisor is more than a relationship problem-solver; he or she **helps the children grow up with a sense of the business, its history, and its customers**. Also known as the **keeper of family values**, the senior advisor **instills a sense of what the business stands for and what it means to the family**. In addition to a commitment to quality, senior advisors may bring an antidote to the CEO's propensity to create a culture of secrecy, with its corresponding sense of loneliness.

Senior advisors often **promote family values that promotes family-business continuity**. Senior advisors are keenly aware that for the **family legacy to remain vibrant and alive**, it has to change and **adapt itself to the present and the future**.

4) **The free agent:**

The free agent is often **very aware of both family and business matters, having perhaps served the family-owned business in some capacity earlier in life**. But this spouse chooses to develop an identity **separate** from the CEO and the family business. Free agents often believe that there is no need for them to be any more involved with the business or the family than they are because other people are satisfactorily performing the role of chief trust officer or trust-facilitator.

Free agents are usually **available for consultation and advice** during particularly **trying or challenging times** in the life of the family and the business. But, **in general, these spouse likes to be separate from the family and business**.

5) **The jealous spouse:**

Many entrepreneurs and family business owners, particularly those who are first or second generation, have a mistress-like relationship with their business. The **family has to compete with the business for the CEO's recognition, affection, financial resources, and time**. In this context, many spouses **experience jealousy**; competition with the business for time and affection is a prominent theme in their lives. Jealous spouses feel that the CEO loves the business so much that it has become her or his first priority. Jealousy of a spouse's commitment to her or his work is not limited to spouses of family business owners.

6) **The "interim CEO" spouse:**

The CEO type are often called on to provide either interim or full leadership of the corporation and the family-business relationship before a full transfer of power to the next generation takes place. The high incidence of succession processes that are complicated by the death or incapacitation of the founding entrepreneur, before the full transfer of power has taken place calls for the active engagement of CEO spouses (of either gender) in the multiyear succession process.

Ceo exit styles MGAGIT

THE MONARCH

The Monarch exit style can be described as one who does not believe in any exit of a business. They usually still show up daily at work after they have reached the retirement age. Effectively, they rule the company during a three- to four-hour workday. Monarchs

believe that no one could ever replace them. Monarchs in business do not talk about succession, or next generation power transfer. They refuse to talk about letting go, even to their closest advisors. As a result, succession planning never takes place, and chaos will likely follow his or her death.

THE GENERAL

Unlike monarchs, generals partly retire however these chief executives leave office reluctantly and plot a return. Generals wait patiently, hoping that his or her successor will fail. When that happens, they return triumphantly to correct the errors or mistakes that the “left over” staff could not fix. Generals live for the day when they will be called back into service to right the wrongs, real or not, committed by next-generation managers.

Unfortunately, the wrongs are sometimes fabricated by a group of loyalists. Businesses are hardly ever problem-free or steadily successful, odds are that the general, much like the monarch, will continue to rule a business, undermining the capacity of anyone else in the organization.

THE AMBASSADOR

Ambassadors exit the business by delegating most of the operating responsibilities to next-generation members and/or key nonfamily managers but hold on to their diplomatic or representational duties on behalf of the corporation. Ambassadors make room for top-notch nonfamily managers and next-generation members. They allow others to learn the business first-hand and to eventually take over responsibility for running the enterprise. The CEOs prone to become ambassadors include those who enjoy people, like to travel, and have always entertained the idea of living several months of the year in other cities that is also a key market. Ambassadors make good board members for a few years after their exit as CEOs. Ambassadors should proceed slowly with their exit, making sure that the next generation and/or key nonfamily managers are indeed capable and ready to take over day-to-day operations. An ambassador who rushes an exit may have to return, as would a general, to fix the problems of the corporation.

GOVERNOR

Governors set a departure date and announce it publicly, thus committing themselves to the goal of transferring power within an established time frame. By making the date public, they lend a sense of urgency to planning for the inevitable transition and enlist other key management personnel, employees, suppliers, and customers in the process.

THE INVENTOR

The “inventor” takes on a satisfying key position in another enterprise. The inventor could just as easily be called the marketer, or the private investor. Inventors are creative people. Once they have built systems and institutions that will help the next generation lead successfully, they are usually ready to pursue their next dream. An inventor build bridges to the next generation for successful power transfer but they are most likely to choose the own advisors as successors.

THE TRANSITION CZAR

Transition czars can add significant value to succession across generations, particularly when family companies are complex and multinational and owning families are large and multigenerational. CEOs may choose the role of transition czar out of a desire to consult during the managerial and political processes that a complicated transition requires. Transition czars need to be aware of the difficulties inherent in being at the centre of changing what they created. It often helps to seek outside advice from both a board and family-business consultants. Transition czars often carry out the succession

and continuity responsibility with significant assistance from the CEO spouse. This team effort allows the CEO to concentrate on codifying the institutional memory of both the business and the family and building the institutions that will ensure effective family-business governance. Meanwhile, the CEO spouse works to create trust and family unity in such a way that visions about the firm's future are further understood and agreed upon and the unique and complementary contributions of different family members and key nonfamily managers are better appreciated. The heirs to a transition czar need to be patient and very self-aware in their relationships with the CEO. Transition czars realize the risks posed by a power vacuum, and provide active leadership of the entire succession process with family members, key nonfamily managers, customers, and suppliers.

Chapter 8

Common traps for new leaders **AIDAKTO**

1. Assuming that succession to a new management and ownership position vests the leader with the authority to lead. **Authority is earned, not inherited.**
2. Becoming **isolated** from important others in the family and in the business. Staying in contact is important, even during conflict.
3. Being **distracted** by key managers or other significant players in the family organization who have their **own agendas**.
4. Having to always have the **answer** to any problem. It is a myth that "real leaders" know how to solve any and all problems.
5. **Keeping the existing management team too long.** Fresh perspectives are necessary for the continuity of any business.
6. Attempting **too much too soon or too little too slowly**.
7. **Being overly cautious or overly rebellious**, depending on the new leader's historical relationship with the previous CEO-parent (or other relative).

Generational transfers

Many owners consider their estate planning completed when they have selected some transfer-of-wealth approach with their accountant or tax attorney. They fail to address other important aspects of generational transfers, including the following:

- Financial and retirement needs of the CEO and the CEO spouse
- Strategic needs of the business versus financial needs of the estate
- Ownership successor development
- Relationships among family members
- Day-to-day management of the business
- Corporate governance and voting control in the next generation
- Next-generation expectations for the business
- Needs and dreams of individual heirs
- Stewardship capacity of next-generation members as either owners or managers
- Willingness of family members not active in the management of the firm to be loyal shareholders and represent patient family capital
- Economic value of the business to family members who do not participate as employees of the enterprise
- Liquidity needs of inactive or minority shareholders
- Retention of nonfamily top managers and their continued commitment to the enterprise

Chapter 9 board of directors

The primary responsibilities of a board of directors include the following: **FSIPMECAAONS**

- Review the financial status of the firm
- Deliberate on the strategy of the company
- Look out for the interests of shareholders
- Promote and protect the unity and long-term commitment of the owning family
- Mitigate potential conflicts between shareholders, including majority and minority shareholders
- Ensure the ethical management of the business and the application of adequate internal controls
- Be a respectful critic of management by asking insightful questions
- Review the performance of and hold the CEO and top management accountable for performance and good shareholder returns.
- Provide advice to the CEO on acquisitions, divestitures, performance of key executives, executive compensation, human resource issues, growth opportunities, risk management, financing growth, liquidity, etc..etc...
- Bring a fresh outsider perspective
- Assist in the recruitment, selection and election of new board members
- Assist in objective planning and managing of the multi-year succession and continuity process

Major roles of the board of directors

A board of directors has three major roles to fulfil

- (1) Setting company strategy. In order for outside board members to contribute to the strategy-formulation process and ensure the retention of a competitive edge in meeting customer needs, they need:
 - to be privy to the CEO's dreams, that is, the envisioned direction of the business
 - access to data such as the financial records
 - access to people, that is, to become acquainted with the vision of the next generation and the shareholders
- (2) Adaptation over generations (between the old and the new). The board's task is to reconcile two ingredients that are critical to the sound adaptation of a family business:
 - the wisdom to know what has worked in the past and what has made the company successful
 - the passion to make a difference, seize today's opportunities and thrive in the decades ahead
- (3) Succession and continuity planning. The board can relieve the CEO parent of the daunting task of choosing one of his or her children as a successor. A board is in the unique position to consult with independent outsiders after they have assimilated the necessary facts. Such a succession decision is perceived as fairer and as such is more likely to be accepted.

The benefits of boards with independent outsiders include the following:

- They provide unbiased objective views
- They bring a fresher and broader perspective to issues of concern to the firm
- They bring with them a network of contacts

- They make top managers accountable for their actions

Chapter 14

Six reasons (Poza 2010:240) why a family enterprise should consider a nonfamily CEO.

- 1) Where the outgoing family CEO is not capable of leading a succession process and/ or choosing among the children
- 2) Where no successors are qualified to carry out the chosen strategy, for example; a business plan to significantly expand the company to serve a global rather than a regional marketplace
- 3) Where potential successors are too young or not yet ready for the job
- 4) Where the owning family recognizes that the business needs leadership that will focus on the future, not the past
- 5) When the business needs dramatic change. Internal candidates, especially members of the owning family, are too wedded to a particular product, location, or way of doing business that is now under competitive attack and incapable of producing profits
- 6) When the family sees the need for change but desires to keep the business under family control; they requiring a transformational nonfamily CEO to an outright sale of the company

Long term incentive plan, discuss

Non family managers feels that there compensation is less than there public counter parts. This pay inequity can be addressed through long term incentive plans. A LTIP aims to:

Align employees
Retain employees
Be competitive with other employers.

Private owners also will not want to give away any equity to nonfamily members. LTIP like Phantom stock motivates the employee to feel like he is granted skin in the game.

The Family Council

- Family council help to reduce family's propensity to become a zero-sum entity
- Governance body
- More formal
- Promote communication
- Safe harbor for conflict
- Support education

FAMILY OFFICE

A growing number of second- and later-generation family firms are creating family offices to assist shareholders in their owner duties and responsibilities. Although the services offered vary depending on the company, family offices can shoulder primary responsibility for joint family investments, family philanthropy, family private equity and venture capital investments, tax and legal advice to shareholders, tax-return preparation, the filing of required legal documents on behalf of the shareholder, shareholder education, the planning and execution of family-council meetings,

shareholder meetings and family assemblies, and administration of shared assets or properties—for example, a family vacation property, farm, or ranch.

chapter 4 case study NLFTCEDITLLACW

Nepotism – While nepotism is arguably the most widely stereotyped feature of family business and as stereotypes often do probably exaggerates its impact, there is no question that a family-first attitude in selecting managers and employees for the family enterprise is a significant challenge to governing the family-business or family-wealth relationship.

- **Loss of family identity and values** – Family values, family legacy and the renewed sense of purpose brought on by a multigenerational family vision are the anchors of an enterprising family's continuity plan. But these often erode as families grow in number and wealth.

- **Family conflicts** – Speed is one of the competitive advantages inherent in family owned businesses, but in later generations, a family that is paralysed because of conflicting across branches of the extended family can become inward-looking and fertile ground for turf wars.

- **The belief that fair means equal** – Not all of the children want the same thing for their future. So equal is not fair.

- **Current leader's unwillingness to let go** – The critical and urgent need to build institutions of family governance is often lost on the family CEO.

- **Entitlement culture** – Another significant challenge from wealth and enterprise to multigenerational families is the entitlement culture, an unsustainable culture of acquisition and consumption.

- **Dilution of wealth** – Besides the erosion that may result from unnecessary expenses, taxes and a culture of entitlement, distributions and the break-up of the business or the pool of family capital can negatively affect the family's access to new investments and to the financial resources needed to take advantage of a wide range of business opportunities.

- **Insufficient professionalisation and institutionalisation of the family's enterprises** – While rampant nepotism often precludes professionalisation, even without nepotism, family firms can suffer from the inability to change, delegate and institutionalise a successful business model beyond the founding generation.

- **The erosion of the entrepreneurial culture** – The entrepreneurial stage is widely recognized as one that endows the business with the capacity to be nimble and opportunistic.

Lack of transparency – Neither boards of directors nor professional managers can make their value-adding contributions to family business without good metrics and clear scorecards.

- **Lack of oversight** – Lack of oversight, by for example an independent board of directors, often breeds complacency and resistance to change.

- **Altruism** – Research has found that altruism, or attending to the welfare of a relative, is a prominent feature of many family enterprises. Some scholars have argued that altruism represents a form of agency problem that often leads family firms to make decisions that are economically irrational.

- **Confusion regarding what is a family, a management, and an ownership issue** – Given the very nature of a family business.

- **Wanting to keep it all in the family** – Publicly traded firms, through their capacity to create a market for corporate control, hold management accountable. The market for corporate control makes top management accountable to all shareholders.

Blurred system boundaries

Because of the complexity implicit in a system that is composed of three subsystems, each potentially with different goals and operating principles, family businesses are vulnerable to the consequences of blurred boundaries among the family, ownership, and management systems. Nepotism being the most obvious of boundary infractions and challenge to family business governance (Poza & Daugherty 2014:98).

Alternate to blurred system boundaries

To overcome blurred system boundaries means the need for family businesses to achieve a balance or jointly optimize interrelated subsystems. It's the endeavor to balance the goals and needs of each of the subsystems. This can be done through family forums, governance bodies, strong cultures, family unity, strategic planning, fair policies, and solid managerial practices that inspires a commitment to the greater good. These type of families have commitment to family-business continuity. Efforts to jointly optimize ownership, family, and management systems often indicate the family's desire to use the business to transfer important values and a proud history and at same time to strive for continued improvement and growth.

THE FAMILY CONSTITUTION

The primary challenge for the family council is to draw up a family protocol or constitution. This protocol should reflect what the family stands for and should be supported by all family members. Family businesses that are exposed to knowledge of family business management have a family creed. Those without this background (i.e. the majority of small and medium family businesses) usually do not have one. Conflict in the latter businesses may be above normal because the ground rules for issues such as shares, compensation, the employment of in-laws, management philosophy and remuneration have not been spelled out.

The Family Constitution;

- (1) Governs the relationship between shareholders, family members and managers
- (2) Also called family charter
- (3) Make explicit principles and guidelines that shareholders will follow
- (4) No legal bearing
- (5) Contains: **MVFFFENODLBS**
 1. **Mission and vision.** The family's vision and the nature of its commitment to the firm and its continuity are presented in the first article.
 2. **Values.** The family values that have successfully guided the firm in its relations with customers, employees, suppliers, partners, competitors, and the community.
 3. **Family brand.** This article guides family members in its owner-firm visibility the use of the family name, and relations with the government, traditional media, and the new social media. The desired behaviour of the family toward its enterprises and their management is spelled out-what behaviour is

expected of family members who are in management and what family members need to be aware of in order to protect the company's and the family's reputation.

4. **Family-bank and/or family-venture capital fund.** Special funds allocated to sponsor the development of new ventures or new initiatives by members of the family are discussed and the overall terms of use of these funds are explained.
5. **Family council meetings.** Their purpose, primary functions, and relation to the board and shareholder meetings are discussed. Membership and its standing primary functions and operating procedures are discussed
6. **Employment policy.** The requirements family members need to meet in order to be considered for employment . These are often segmented into requirements for employment in management posts, requirements for internships, and requirements for lower-level positions. Requirements for management posts often include an undergraduate degree plus five years of work experience outside the family business or three years plus an MBA. This policy may also spell out whether in-laws qualify for employment or are prohibited from becoming company employees.
7. **Next-generation family-member development.** This policy sets out the commitment and procedures guiding the education and professional development of next-generation members. It often also defines the level of financial support available for the college and graduate education of next-generation
8. **Ownership policy.** Stock ownership, classes of stock, and ownership transfer policies are defined. Business-valuation processes are often spelled out. Buy-sell agreements in existence are discussed. Voting and shareholder representation on the board and other entities may be acknowledged. Legal documents governing transactions of any kind are listed and their authority recognized.
9. **Dividends and family-benefits policy.** This section of the constitution educates and guides shareholders on the expectations for returns on invested capital. It discloses reinvestment requirements. It may also, if the family has agreed to it, set a ratio of reinvestment to distribution of shareholder returns. Policies related to risk and risk management, including debt-to-capital ratios may also be discussed here.
10. **Liquidity policy.** This article discusses business valuation, buy-sell agreements in force, redemption funds, if any, and their use in wealth-creating events
11. **The board of directors and advisory board,** its makeup, standing, authority, and relation to management, shareholders, and other entities are discussed. Its primary functions and operating procedures are disclosed.
12. .
13. **Shareholder meetings.** Their role is discussed, as is their authority and legal standing. Their relation to the board and the family council is also discussed

