



# FAMILY BUSINESS - DISPUTE RESOLUTION

Family businesses represent 66% of UK SME's however very few have gone through the process of drawing up a shareholders agreement and thinking about how to react should a dispute between family members arise.

## OWNERSHIP

Who should be allowed to own shares in the business?

- Only bloodline family members who work in the business?
- All bloodline family members?
- In-laws?

Who should have voting control?

Should some shares be voting, with others being non-voting?

What should happen if a family member wanted to sell their shares?

Who inherits shares?

Dividend policy, is it fair to all family members?

How important is reinvestment?

## EMPLOYING FAMILY MEMBERS

What criteria is required for the employment of family members e.g.

What length of experience, if any, in another business should be required?

Who approves the employment of family members and decides salary, and job description?

Who appraises performance?

Is a Board required and if so, what is it's constitution?

Who is Chairman? How are they elected / re-elected?

Should family members be obliged to retire?

*Ownership*  
*Employing family members*  
*Key decisions*  
*Disputes*

## KEY DECISIONS

Day to day decisions can be made with a

certain amount of implied authority, but when it comes to key decisions, is there a process?

What are key decisions? For example:

- Changing banks
- Changing accountants
- Borrowing arrangements
- Capital purchases over a certain amount
- Business sale

## DISPUTES

How should disputes between family members be resolved? By their very nature, these can be very divisive and affect not only the business but personal relationships, sometimes across generations.

Mediation or arbitration is a good option, but as always the process has to be agreed prior to the dispute, usually when "times are good".

A shareholder agreement is a trusted way of dealing with all these issues.

***We look forward so you can move forward...***