GOVERNANCE AND ADVISORY BOARDS FOR FAMILY BUSINESSES

Fact Sheet

In farming businesses, the decision making process has the potential to become tense.

Business owners can operate the business on traditional lines and are generally the ones with a great deal of expertise about the best way to run the business.

Successors, often the founder's children and their partners, may enter into the family business with new or opposing ideas which can lead to disagreements with current systems and methods.

Ownership often comes into play and conflict arises. Add to this the possible clash in personal dynamics and it can make for a volatile environment.

GOVERNANCE is the system that sets and monitors the direction of an organisation and establishes chains of responsibility and authority within a business.

However, governance means different things in different organisations. For family farming businesses, a recommended approach is to establish an advisory board.

THIS IS WHY GOVERNANCE OF SOME FORM IS IMPORTANT FOR FAMILY BUSINESSES.

FAMILY ADVISORY?

Family advisory boards can be more suited to this type of business than the standard governance model.
A family advisory board generally consists of family members with an interest in the business and independent advisors such as lawyers, accountants, bankers, and farm advisors.

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Family Advisory boards are more of a ‘guidance over governance’ way of running the business where families will call upon trusted advisors

A family advisory board is not large and generally includes independent members that contribute skills in areas the family may not possess or where they would like additional expertise.

The benefit of having someone like this on your family advisory board is that they are generally already aware of how the business works, and the family dynamic, but at the same time are removed enough that they can facilitate decision making by helping remove emotion from the deliberative process.

IT IS IMPORTANT TO TRY TO RESOLVE ANY FAMILY RELATED DISPUTES BEFORE BRINGING IN AN ADVISOR.

WHY A FAMILY ADVISORY BOARD?

The focus of the family advisory board is to govern the family business.

The goal of an advisory board is to define business processes to meet strategic requirements.

The purpose of the meeting is to clarify company goals, assess and review current or potential problems and develop appropriate solutions.

It is also the time to deal with any operational issues that may have arisen that have a significant impact on the business.

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MEETINGS

Regular meetings promote communication, clear up any current and potential issues while you retain the focus on issues at hand.

The regularity of the meetings depends on your business and the goals you are trying to achieve. This is up to you.

A typical advisory board meeting follows an agenda, and minutes are taken throughout the meeting.

GENERAL TOPICS

- clarification of business focus and goals
- current or potential problems and appropriate solutions
- monitoring of key performance measures
- issues affecting business
- employees and stakeholders

FACTORS TO CONSIDER

When deciding to create a board, do some detailed thinking to decide whether you believe an advisory board would assist you in running your business.

If so, decide:

- what areas of expertise you would like represented on the board
- the type of person you would approach to join your advisory board
- where, when and how often it would meet
- what data would be submitted to the board for advice

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ADVISORS

Are your advisors competent to advise for your type of business?
If your business plan is going to be handed to other people such as financiers, they will be very interested to know who your advisors are.
Potential advisors could include: accountant, solicitor, bankers, marketing consultant, business plan consultant, employment specialist, farm advisors and/or family members.

Be open to discussion about where the following factors may affect your business.

BUSINESS OUTLOOK IN YOUR AREA

Analyse what is happening to other businesses operating in your location. Are there any trends or signs that you should be considering in formulating your business plan?
Company administration

Review 'housekeeping issues' annually.

DEBT

Are you happy with debt levels? Is the business able to service debt as it falls due?

ENVIRONMENTAL FACTORS

Have any environmental changes occurred that have impacted on the business? What needs to be done to mitigate the effects?
Have any lessons been learnt that could be incorporated in future risk management contingency plans?

INVESTMENTS

Does the business plan to invest in future growth?
What is the investment strategy?
How are investments financed?

LEGAL

Does your business have an annual legal check up?
Are there particular contractual, land or trust issues which must be attended to?

MANAGEMENT

Who are the managers are in the business?
What are their experience and qualifications?
Do you need to conduct an in-depth 'audit' of your management team and management procedures?

PUBLIC RELATIONS

Should you appoint a public relations consultant?
Or does your industry have an established public relations strategy that could assist your business?

REVIEW

The business plan should not be a document that is thrown in the bottom drawer and forgotten. It should be referred to on an ongoing basis and reviewed at least annually.

State your review strategy in your plan.

RISK MANAGEMENT

Ask yourself what can go wrong and then honestly answer the questions.
What happens if a key person dies or leaves?
What are your contingency plans?

NEED HELP?

Lawson Avery Ltd are independent advisors on many local Advisory Boards. If you would like us to advise on yours, or you would like our assistance to get started.
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