



A Few Tips for Navigating the Complexities of Family Businesses

Just how big is the family business sector in Australia and how important is it for the Australian economy that these family businesses continue to prosper?

Family Business Australia (FBA) and KPMG in conjunction with Bond University have recently released some key statistics regarding this sector and the size of its contribution to the Australian economy. They prove the point that much of the wealth in the Australian economy lies not in large listed corporations but in the thousands of small and not so small unobtrusive family owned and operated business.

According to their statistics the family business sector is worth approximately \$4.3 trillion, accounts for 70% of all businesses in Australia with an average turnover of \$12million. This is indeed a significant sector in its own right but unfortunately one that doesn't often get the recognition it deserves. The average age of a family firm in Australia is 32years. Only 20% have a succession plan in place for their CEO but 81% of owners intend to retire in the next 10 years.

With the changing of the guard that is forecast for so many of these businesses over the next ten years, here is a concise list of tips for family businesses that may help guide their strategy and see them prosper and continue to contribute greatly to the Australian economy for many generations to come .

1. Embrace the Intangibles -

A family business is the embodiment of a family's values and culture. These are the intangibles that make a family business unique. Communication between family members is imperative. Talk, talk and then talk some more until you have defined the family mission statement and a history of the company for all stake holders in future years.

2. Define and Separate your roles-

In most businesses the roles – owners, directors, employees – are clearly

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defined. Not so in the family-owned business, where these roles are blurred and board meetings can sometimes take place around the dinner table. This definition and separation of roles is an important and progressive step for a family business to take.

4. Integrate Business Strategy, Succession & Investment

A lack of communication among a family businesses advisers can genuinely inhibit growth. The result can be decisions which individually make sense, but collectively do not result in maximum effectiveness. To grow effectively and efficiently you should have one single advisor who is a family business expert.

3. Consider a Board

A formal board can direct strategy, major decision making, hiring and compensation of managers, taking these potentially emotionally charged decisions and creating a framework to deal with them fairly and rationally. Often the first step in this process in a growing family business is putting in place an advisory board. An advisory Board should compose of experts in their field who can provide a source of ideas and act as a sounding board to the business managers. Keep the numbers small and the meetings regular and most family businesses will find this an invaluable management tool.

4. Earn Your Voice

It is important to separate membership in the family, a birthright, with involvement in the family business, which needs to be earned. There are many known examples of how Australian family owned businesses manage this process: some state you must work outside the family business for a prescribed period of time before you can work in the family business, others state the family members must reach management level outside prior to coming back in. Each family business differs and the decision is unique to each circumstance but a level playing field is the desired outcome.

6. Honesty is a Policy

In our experience with family businesses, as difficult as it may seem honesty is the first and last policy. If you want to beat the odds and make your family business an ongoing legacy for generations to come, then you need to admit that what may have worked in the past may not be good enough for the future.

7. Keep the Dialogue Going

Develop a system of communication and accountability that ensures all this hard work has a lasting effect. Put structured communications in place – quarterly understandable financial reports and an annual meeting – so owners get formal updates from managers (hopefully away from the dinner table). Then implement this process at a family level with formalised regular family meetings and in the longer term consider a Family Council. Keeping that family dialogue going, keeping family members active and involved will only enhance the performance of the business and the satisfaction of the family members.

About FINH

FINH is a niche advisory firm providing expert services to family business groups. We offer a wide range of services in the areas of Business Strategy, Accounting and Tax Planning, Wealth Management and Investment, Valuation and Succession, and Finance and Governance.

We specialize in working with family businesses and offer our clients the benefit of fully-integrated advisory services designed to help our clients meet their present and future business needs. We believe that family businesses have unique needs and advantages and have dedicated ourselves for over 30 years to providing specialist services to help clients overcome these challenges.

FINH have been accredited advisers with Family Business Australia since 2006 and the international organisation Family Firm Institute, since 2010.