

# Keeping it in the family

## Governance for family business

Better governance of a family business can improve business performance and help satisfy the expectations of all family members.



Establishing a governance framework for your family business can improve business performance and help satisfy the expectations of all family members. Indeed, this step may be essential if the business is to keep on producing the rewards the family has come to expect. This stage is often reached when the founder of the business relinquishes day-to-day control of the business, or when it reaches a size and complexity unsuited to informal and unstructured management styles.

Continuation of family ownership and control can be fraught with difficulty. In business, as in life, families don't always see eye to eye. Family members can have different expectations and ambitions for the business. Family disputes can paralyse management of the enterprise, endangering ongoing family control and, sometimes, the very existence of the business.

It's important for families to recognise that a family business has a life of its own that transcends that of the family. It's why a professional and structured approach to the management of the business serves everyone's best interests.

It's also why we've established the 10 Rules of Good Governance.

### 10 Rules of Good Governance

1. Establish a family council to approve key strategic business decisions, resolve family disputes and decide how to distribute the wealth generated by the business.
2. Appoint an effective board, including independent directors.
3. Define the respective roles of board and management and appoint the best person available as CEO.
4. Conduct board meetings constructively, making them business focused, not family focused.
5. Make decisions methodically, covering all the relevant issues.
6. Develop a clarity of vision that leads to a proper strategic planning process.
7. Understand and manage your business risks.
8. Look for the 'bad news', ensuring that problems and irregularities are not overlooked or ignored.
9. Monitor and evaluate business performance, highlighting key trends and issues.
10. Create an effective assurance framework embracing management controls and internal and external audits.

## How we can help

We work with family businesses of all kinds to help them apply the 10 Rules of Good Governance effectively and efficiently. In addition to our core audit, tax and advisory services, we offer a range of services geared to the needs and dynamics of family business.

- Succession planning, equity transfers and generational change.
- Family councils, family constitutions, board structures, business decision making and assurance frameworks.
- Sale and purchase of family businesses.
- Planning for wealth creation and wealth preservation.
- Asset protection.
- Retirement planning, estate planning and self-managed superannuation.
- Strategic business planning.
- Tax planning and compliance, including GST, capital gains tax and income tax.

## Why select us

Our professionals combine strong technical capabilities with deep business insight and experience. They understand how family businesses operate and know the importance of getting results in a timely, no-fuss manner.

We know our clients don't have the time to wade through advice that is vague and impenetrable. Our advice is practical, jargon free, relevant and timely. We work with family business clients to simplify complexity and isolate the key business issues.

We've also forged alliances with academics, family business facilitators, lawyers, financial planners and business mentors. We are also particularly proud of our long standing relationship with and sponsorship of Family Business Australia.

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## Contact us

To learn more about how KPMG's Private Enterprise practice helps family businesses establish sound governance practices, please contact:

### Adelaide

**Laurie Madigan**

+61 8 8236 3215

lmadigan@kpmg.com.au

### Brisbane

**Bill Noye**

+61 7 3233 3253

wnoye@kpmg.com.au

### Cairns

**Joe Mendiola**

+61 7 4046 8888

jmendiola@kpmg.com.au

### Darwin

**Denys Stedman**

+61 8 8982 9000

dstedman@kpmg.com.au

### Gold Coast

**David van Herwaarde**

+61 7 5577 7545

dvanherwaard@kpmg.com.au

### Hobart

**Matthew Wallace**

+61 3 6230 4037

mgwallace@kpmg.com.au

### Launceston

**Nigel Briggs**

+61 3 6337 3711

nbriggs@kpmg.com.au

### Melbourne

**Dominic Pelligana**

+61 3 9288 6386

dpelligana@kpmg.com.au

### Perth

**Matthew Beevers**

+61 8 9263 7228

mbeevers@kpmg.com.au

### Sunshine Coast

**Bruce Swan**

+61 7 5444 7999

bswan@kpmg.com.au

### Sydney

**Stephen Maze**

+61 2 9335 7822

smaze@kpmg.com.au

### Wollongong

**Peter Fitzgerald**

+61 2 4231 5370

pfitzgerald@kpmg.com.au

[www.kpmg.com.au](http://www.kpmg.com.au)



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