

Fact sheet: Governance and advisory boards for family businesses

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.

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. This is why governance of some form is important for family businesses.

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. 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.

Family advisory boards are more of a 'guidance over governance' way of running the business where families will call upon trusted advisors. 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. 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.

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. Generally, the topics covered include:

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

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