

Welcome

In this issue of *MGI – Family Business in Focus*, Mr Lucio Dana continues to elaborate on topics taken from *The MGI Australian Family and Private Business Survey 2010* which we believe will be of interest to our family business clients.

Mr Dana, in collaboration with RMIT University's Professor Kosmas Smyrniotis, has been undertaking Australia's longest running longitudinal study into the health and motivators of Australian family and privately owned businesses. The 2010 MGI study is the seventh in the series. These surveys have made an important contribution to the understanding and appreciation of the attitudes of family and private business owners and their valuable contribution to the Australian economy.

Lucio lectures in family and non-family business management subjects at RMIT University. He is also a published author of family business books as well as a one of the researchers involved in the 2000 and 2006 MGI surveys.

Lucio's article about family businesses governance raises many issues relevant to all family businesses as they grow from their entrepreneurial phase to being fully matured intergenerational businesses. The importance of a formal Board of Management, particularly one that demonstrates independence from a family's business activities, should not be underestimated.

An independent Board of Directors is able to provide a family business with many commercial benefits such as access to new skills and experience and to ambassadors who can open up important networks for the business. More importantly, however, an independent Board of Directors puts objectivity and professionalism into business decisions affecting family members which will, in turn, assist in maintaining family harmony.

*Make sure you take advantage of our **free consultation** offer on how MGI can help your business to become an even better family business.*



Sue Prestney
MGI Australasia Chairperson
Chartered Accountants and Business Advisors

Improving the quality of family business decision making

The MGI Australian Family and Private Business Survey 2010 provided a number of valuable insights into the main issues that confront families in business, and the suggested ways to address them. One of these issues is the vexed question of the establishment of Boards of Directors with an independent chairperson and a suitable number of independent directors.

Download the Report

Access to *The MGI Australian Family and Private Business Survey 2010* and all past reports here.

[Click here](#)



MGI Business Solutions

To find out how MGI can provide a business solution that works for you, contact your nearest MGI office.

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Download the Podcast

Watch the interview with Ms Sue Prestney and Professor Kosmas Smyrniotis as they discuss the findings in the Family Business Survey 2010 Report.

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Board of Directors

An active Board of outside directors can serve a number of functions, including assisting family business owners to deal with feelings of isolation in their daily struggle to survive and excel, heightening accountability of the business, and improving quality of corporate decision making and planning without significant loss of privacy. And yet, 58% of family businesses do **NOT** have a Board of Directors.

Of the 42% of family enterprises that have a Board of Directors, 46% indicate that the board meets once a month, 19% that the board meets quarterly, 12% that it meets six monthly, and 16% that it meets only once a year. Most family business Boards, 46%, have two directors; 24% have three directors; 17% four directors; and 10% five or more directors.

A finding of particular significance is that 85% of family businesses do **NOT** have non-family executive directors on their Boards, and 86% do **NOT** have non-family, non-executive directors on their Boards. The main reason provided for the lack of non-family, non-executive directors on the Board were: desire to retain privacy; and skills required at Board level exist in-house (28.6%) (Refer to the table below).

Reasons for absence of non-family executive directors on Boards	%
Desire to retain privacy	52.5
Skills required at Board level exist in-house	29.0
Inability to find someone suitable	8.6
It is considered to be too expensive	8.6
Potential candidates 'concern about directors' liability	4.9
Inability to find someone willing to take the position	3.7

To read the entire article: [Click here](#)

Free consultation - with MGI on how to improve the decision making in your family business

A practical approach for your business to achieve best practice in family business governance

We at MGI are focussed on helping family businesses deal with the complex challenges families in business inevitably face – we do not just deal with the business issues but with all the issues that arise from the interaction of family and business.

Through the implementation of family business constitutions, we can assist your family business to address governance issues including how to appoint boards and their composition and how to establish the level and input of the family in management decisions while still reserving certain decisions (for example those relating to the employment of family members).

We are also able to assist in the implementation of corporate governance practices such as identifying appropriate board members and acting as advisory board members where appropriate.

MGI's family business constitutions are designed to identify and deal with all these issues. It is a simple and effective way of putting in place best practice governance and management practices.

However a family business constitution achieves far more than ticking the boxes for family business governance. It also incorporates:

- management and equity succession plans;
- retirement planning for current owners;
- estate plans for all family members;
- asset protection for all family members; and
- what benefits and remuneration the business will and will not provide to family members.

Importantly, our process makes sure that succession, retirement and estate plans are practical to implement and minimise costs such as tax and stamp duty.

It is an inclusive process suitable for all members of the family, not just those who are active in the family business, and is tailored to suit the requirements of the particular family and business.

To download the points covered by a typical family business constitution: [Click here](#)

Your MGI relationship partner would be happy to arrange for a complimentary obligation-free meeting to provide you with further information in respect of family business governance and the implementation of an independent Board of Directors.

Perfect Match

MGI's pedigree – just right for partnering with family businesses

A twenty-five year history of providing professional advice to family and privately owned businesses positions MGI as the business growth advisor of choice for this vital contributor to the Australian economy.

To find out how MGI can provide a business solution that works for you and assist you in improving your corporate governance: [Click here](#)

MGI – Your Business Growth Advisor

MGI is a worldwide association of independent auditing, accounting and consulting firms. Neither MGI nor any member firm accepts responsibility for the activities, work, opinions or service of any other members.

For past surveys or further information about the results of the current survey visit: www.mgiaust-survey.com