



# Family business success

Family businesses are unique. At the centre of this difference is the family dynamic, from family to business and ownership, which can all play a significant role in decision making and offers both opportunities and challenges. The growth and sustainability of a family business lies in the fine balance between the needs of the business and the expectations of family members.

We understand that as with your family, your business doesn't stand still — it evolves. With knowledge and experience working alongside family businesses in Australia and around the world, KPMG Family Business specialists have identified six key areas family-owned businesses should address to serve the best interests of both the family and the business. We created the Family business dynamics illustration to present these six areas and how each of them affect your family and the business.

“ Our goal is to help create harmony and long-term prosperity for family-run business around the world. ”



## Helping family businesses grow

To support the unique needs of family businesses, KPMG has created a global network dedicated to offering relevant information and advice to family-owned businesses. We understand that the nature of a family business is inherently different from a non-family business and requires an approach that considers the family component.

Our professionals have developed a process that is designed to include and consider all shareholders in the family business. The professionals in our firms' specialised practices seek to be more than trusted business advisers — we help families develop and maintain their positive dynamic.

From the boardroom to the kitchen table, KPMG Family Business specialists bring decades of knowledge and experience to each engagement. Our global network of member firms enables us to work across borders and tap

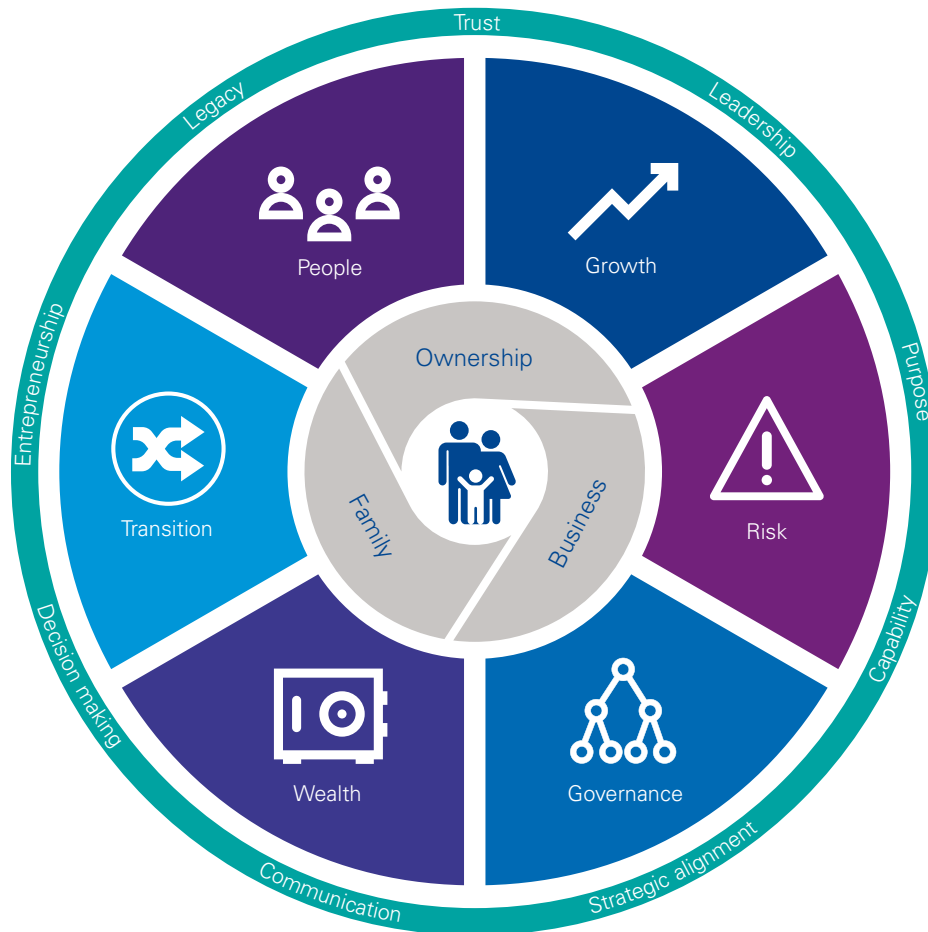
into an experienced pool of resources. We work alongside international thought leaders in the field of family business to share strategic practices and resources, our professionals also advise on implementing creative and practical solutions to help clients bring their business to the next level.

## Looking for more?

Our dedicated family business web pages feature family business reports, blogs, articles and information about the services offered specifically to family businesses. You will also find details on how to connect with a local KPMG Family Business specialist in your region and find out how we can help your business reach its goals.

Learn more at, [kpmg.com/au/familybusiness](https://kpmg.com/au/familybusiness)

## Family business dynamics



Source: KPMG Enterprise Family business dynamics, 2017

## Six elements of a strong family business

A family business has specific needs; running the day-to-day activities, planning for the future of the business and the family often present many crucial questions for the owners. Does everyone in your family share the same vision? The task of realising the full potential of the business, can

sometimes be challenging given the expectations of family members, but are certainly achievable with the right kind of help. KPMG Family Business advisers work with family businesses like yours in the areas of growth, risk, governance, wealth, transitions and people.



# Growth

// Without continual **growth** and progress, such words as improvement, achievement, and success have no meaning. //

Benjamin Franklin

## **Sustainable and profitable growth is an essential ingredient to continued business success.**

While many businesses can achieve growth organically, this can require considerable time and effort. In order to grow, family businesses must consider all of their market opportunities including seeking out complementary businesses for acquisition, potentially divesting non-core businesses, outsourcing functions to increase cost efficiencies and potentially expanding into emerging markets.

## **The larger the business, the higher the likelihood of experiencing increased complexity and costs. Is your company set up for growth?**

- Has a thorough assessment of the business capabilities and market needs been conducted?
- Is there an agreed upon strategy in place to implement growth plans?
- Can the business' future capital requirements be satisfied under continuing family ownership?
- Does the family ownership and management have the necessary expertise and contacts to grow?
- What strategies can be put in place to rapidly and successfully integrate new acquisitions in the family group?
- What are the best ways to deal with the uncertainties and risks that growth presents?
- Is the company prepared for international expansion?

If your business is looking to **grow**, our advisers can help. By developing a solid growth strategy for your company, we consider all the possible avenues for growth and can help you achieve new heights.



#### **4 | Family business dynamics**



# Risk

In a family business, every decision can have an impact on the entire family as well as the company. Beyond the business risks, family impacts have to be considered to avoid discord and protect the business and family.

The need for effective risk and controls management is crucial in an environment of increased scrutiny. It is important to manage these risks in a family-owned business, not only for the business itself, but also for the family, property holdings and capital. It is generally agreed that family businesses have a competitive advantage over their non-family business counterparts; however, this competitive advantage can quickly turn into a threat if not properly managed.

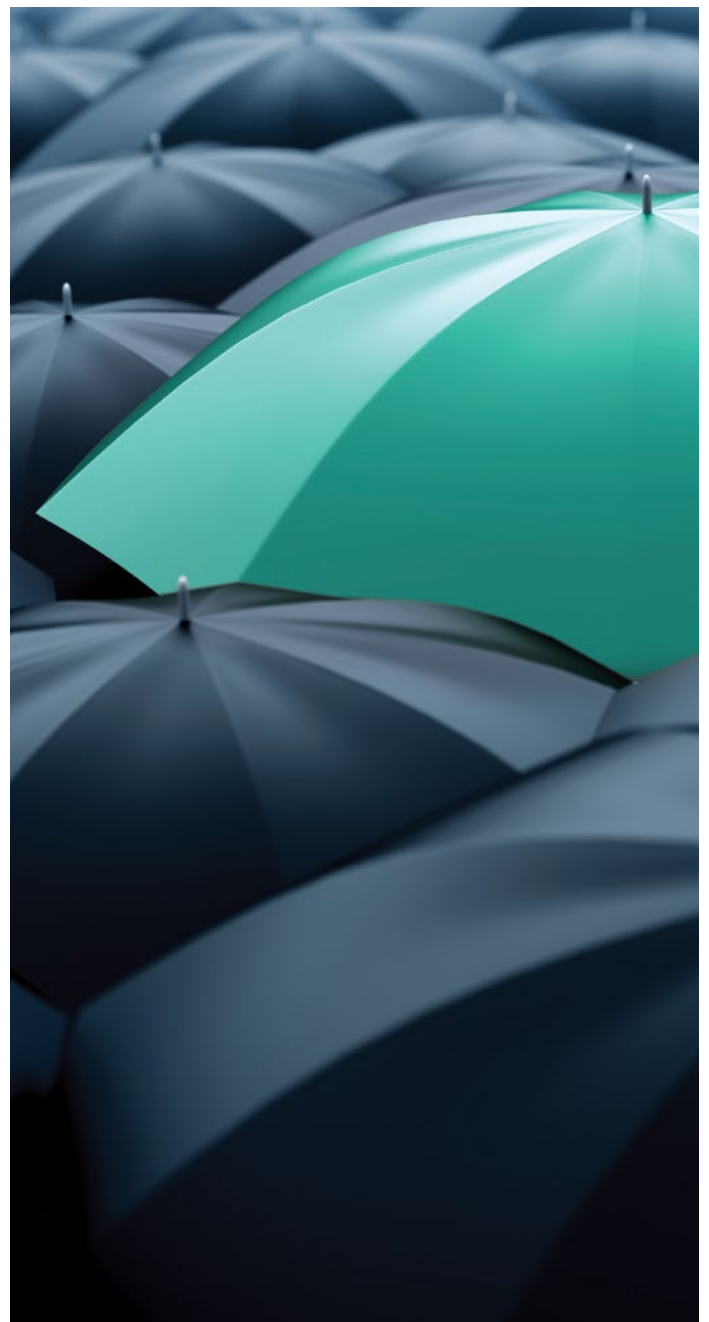
By understanding the internal and external risks, these areas can be managed into opportunities. Improving communication, applying governance models, implementing internal controls and cyber security systems, securing new financing, efficient tax management and optimisation can all have a positive impact on the bottom line of the business.

Here are a few other considerations to make while assessing your family business risks and controls:

- Do you have a clear view of your risks and how they can impact your business?
- What kind of internal and external controls do you have for the business to try to manage any unanticipated surprises?
- Are you equipped to protect your company's technology and processes against unauthorised access?
- What are the best tax strategies for your family business and for the family members?
- How do you measure risk management's return on investment and define its processes, value and effectiveness to key stakeholders?
- Do you have agreed upon guiding principles and abide by them to reduce conflicts in your family business?

As trusted business advisers, our team can help clients manage the **risks** associated with their business, so that they don't need to carry the burden alone. When it comes to financing, tax management and implementing controls, our advisers can help you be proactive and assess your risk areas and put strategies in place to help gain control.

// Risk is like fire: if **controlled**, it will help you; if uncontrolled it will rise up and take over. //





# Governance

// Most family-owned companies are successful during their infancy stage. In the longer term though, it becomes necessary to set up the right **governance** structures and mechanisms that will allow for efficient communication channels and a clear definition of the roles and expectations of every person involved in the family business. //

International Finance Corporation  
(World Bank Group)  
Family Business Governance Handbook

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

Governance really means adopting a decision-making process. Governance issues can affect the family unity and may be fraught with difficulty. Establishing a governance framework that includes a family constitution and code of conduct for family members can help the family deal with changes in the business and family, constructively.

Governance structures require the family to think through important scenarios and agree on family and business goals before critical decisions have to be made. While establishing a governance framework, the following question should be evaluated:

- Is there a process in place to resolve conflicts within the family?
- Is there a clearly defined process for hiring, defining the roles and remunerating family members employed in the business?
- What control mechanisms are in place to ensure the goals and structures of the governance framework are upheld.
- How do you separate business decisions from family decisions and set accountability measures?
- How do you manage minority shareholders' expectations?

KPMG Family Business specialists can help companies establish a dialogue between family members, create a family council or board of directors, and develop a family constitution and code of conduct. These effective **governance** tools can help set up a family business for success down the road and help sustain the business through generations.





# Wealth

The subject of money is an eternally contentious one and without doubt raises more anxiety than any other area, for those involved in a family business.

For this very reason, wealth management within the family business requires careful planning to prepare family members for the responsibility and emotional impact of wealth and to protect business assets. Has your family and the business considered the following?

- Are you comfortable with your cash flow needs and managing liquidity?
- Is there a way to optimise the structure of your assets?
- Do you have a plan to build financial independence for the family members?
- Do you have plan to ensure your next generation understand the wealth of the family?

Our KPMG Family Business team can advise on structuring your wealth appropriately, consider tax planning issues and assist in putting together strategies for education and communication about wealth with your next generation. When it comes to **wealth**, careful consideration must be given to tax planning and implications, our family business advisers are here to help you avoid pitfalls.

// You can be young without **money**, but you can't be old without it. //

Tennessee Williams,  
American playwright





# Transition

Transitioning any business can be a difficult endeavor. Transitioning a family business comes with a unique set of challenges, with the potential for family conflict that may affect personal relationships. Planning ahead can make it a smooth experience for everyone.

Family businesses are about a legacy. They offer a sense of accomplishment and pride. Preserving that legacy can still be possible whether that business is passed on through succession or sold.

Succession and integrating the next generation into business is perhaps the toughest challenge faced by a family business, involving business management and ownership succession as well as leadership development. Succession planning can help families avoid conflict and ensure the needs of the business are met when ownership transfers to the next generation.

The decision to sell the business brings its own challenges and conflict. There's just one opportunity to get it right.

There are many options to consider when transitioning or exiting the family-owned business. We can work with you to examine the options available and assist with the transition or transaction.

- What are the next generation's aspirations?
- How can you motivate the next generation to take part in the management of the company?
- What is the best transition or exit plan for your family and the business?
- When is the right time to transition or sell?

When it comes to **transitions** KPMG Family Business specialists can have confidential discussions to gain a better understanding of your issues and concerns. We can then suggest options based on our in-depth knowledge and experience helping family businesses like yours.

- Do you know the true value of the company?
- How will you organise and secure the family ownership to avoid or manage family dissension?
- What is the best legal structure to maintain family ownership when non-family financial investors are involved?
- What are the legal and tax considerations if you decide to sell?
- How do you prevent family disagreements from negatively impacting the management of the business?
- If you sell, how should you reinvest the proceeds for the future of the family?







# People

A business is only as great as its people. A family business can experience unpredictable dynamics and unrealistic expectations. Building a successful business often requires external talent and family members working side-by-side. The challenge involves creating balance between the family and business interests, while also creating an equitable environment where everyone thrives.

The rising “war for talent” has put increased pressure on businesses to create competitive compensation packages along with ongoing opportunities for advancement. For family businesses to survive, they now have to know exactly where and how to compete for the talent they need. Having a clear HR strategy and strong understanding of market can help to put the right people in the right roles.

With the right planning, family businesses can successfully implement the necessary governance structures and human resources policies that can set the expectations for all employees. To help ensure you are on the right track, consider:

- Are there family members who are interested in advancing in the business? Do they have the right skills and experience to help the business grow?
- With training and mentoring, will the next generation be prepared to lead the business?
- How can external talent help? What’s the best way to integrate them into the business?
- Do you have a formal pay structure in place? Is your pay equitable regardless of whether an employee is a family or not?
- Is your compensation based on current market expectations? How can you create a compensation model for non-family members that competes with other businesses that may offer equity shares?
- Do you have a total rewards program that includes benefits, perks, bonuses, and opportunities for advancement as well as a competitive salary?
- What governance models can be put in place to create equal opportunities?

We can help you navigate the process, develop plans and implement policies to create an equitable environment to help attract and retain the right **people** who will help ensure a bright future for your family business.



“ For family businesses to **survive**, they now have to know exactly where and how to compete for the talent they need. ”

# Family Business Dynamics Assessment

## Helping to uncover insights for a successful family business

In three easy steps, we will provide you with a free report to help you assess the capabilities of your family business across six key areas.

We created this tool to help you gain further insight into the capabilities needed to support the goals and objectives of your family and compare these results with other family businesses globally and in a similar industry. You can also work with your local KPMG adviser to gain a better understanding of your results and next steps.

As with your family, your business doesn't stand still – it evolves.

To take the assessment visit:  
<https://dynamicsassessment.kpmg.com>

### 1 Register for an account

A screenshot of a registration form with fields for Name, Email, Password, and Confirm Password. There are also dropdown menus for Country and Industry, and a checkbox for 'I agree to the Terms and Conditions'.

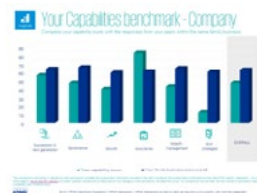
To get started and access to the tool, tell us a little more about yourself and your family business.

### 2 Complete the assessment

A screenshot showing a progress bar with six steps. The first step is 'Introduction', the second is 'Business Overview', and the third is 'Family Dynamics'. The remaining three steps are 'Succession Planning', 'Governance', and 'Exit Strategy'.

There are six steps to the assessment which will help us to create your family businesses' personalised report. The assessment shouldn't take more than 30 minutes total.

### 3 View your report



Within seconds, your customised report will be ready, containing three key insights on your business' capabilities in six key areas and how it compares to other family businesses globally.



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