

familial territory

A family business can be a rewarding endeavour – however a cool head and a sense of objectivity are vital to ensure you don't turn blood relatives into bloody enemies.

words Carolyn Baker

Australia has a very high per capita number of family businesses, and the Gold Coast probably has one of the highest concentrations. Not only do they provide a regular income for a many people, they also form a major part of our local economy. But what defines a well-run family business and what are the key issues you need to be aware of?

During my career as a Chartered Accountant I've worked with a number of these businesses – from the basics of maintaining the appropriate records through to more complex issues such as structuring trusts and self managed super funds – however, there are a number of points that family businesses need to be aware of.

Get your structuring right

Getting the right business structure in place is paramount. As the business grows it might transform from a registered business to a proprietary limited company through to an unlisted public company.

Tax issues, asset protection and varying commercial issues such as life of the business

and borrowing and investment needs, should all form the basis of a decision regarding what kind of business structure a family business should choose.

Family businesses should be asking themselves questions regarding how long they perceive they will be holding onto the business for, whether they will employ staff, what markets they will be selling to, whether or not they will restructure in the future and what investment of additional funds will be needed. These will form the basis of an appropriate business structure for their business.

Separate your home and business lives

Keeping family matters out of the day-to-day business is key to its success. If a family business can't do this then they are surely destined to fail. This means a few things; no fighting about family matters at work (and vice versa); using family time for relaxing, rather than talking about business matters; and avoiding transferring the familial hierarchy to the business hierarchy.

The fact of the matter is that the family/business

relationship can become a zero sum game if you're not careful, where success of the business starts to impinge on the functioning of the family, or negative issues in the family start to spill over into the business.

In order to combat such issues it's important to make clear and agreed upon guidelines in regard to leaving the family issues at the door when in the business and leaving business issues alone when at home.

Be aware of insider syndrome when employing non-family members

A family business will often start as just that – a business consisting entirely of family members. As the business grows it might require more staff and this can be a potential issue in some family businesses.

When employing people from outside the family be very careful to avoid alienating them in any way, and to avoid behaviours that might be deemed as acts of nepotism. Remember, you're employing people for their skills, so make decisions based

on that, especially when it comes to issues such as task delegation or promotion.

Issues such as pay rates, employee benefits and bonuses should all be handled on a level playing field, whether a family member or employee.

Ensure that you have a succession plan in place

Succession planning is very commonly spoken about when it comes to family businesses, and with good reason. Having a succession plan put together at an early stage of the business will generally save a lot of heartache down the track, as it will specify the roles that all family members will take and who will run the business after generational shifts.

When a family business is started it's hard to know how successful it will be; the fact of the matter is you could be looking at a business that will start achieving turnovers up in the millions, and if a succession plan isn't in place there could be considerable in-fighting when the time comes to hand control over to someone else.

Seek professional advice

Lastly, and most importantly, seek the appropriate professional advice in areas such as accounting, legal and technical issues. You'll not only save yourself potential headaches, but may even improve various aspects of your business and personal income stream.

For example, timely advice about the changes in legislation for self-managed super fund investment borrowings could enable you to borrow against your superannuation to purchase property if your fund is structured correctly.

And your family business may also be sitting on hundreds of thousands of dollars of hidden assets that can be unlocked by the appropriate financial advice regarding keeping appropriate records of dividend payouts and income tax paid.

Just remember, as a family you potentially have a capacity to work together very effectively. The rewards can also go well beyond the financial as the business grows and an appreciating asset provides for generations to come. ○