

A family business, not a family nursery

Performance metrics provide clarity around expectations, helping make sure the right executives are in the right roles.

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Long-held tradition and family legacy can weigh heavily on a successor's shoulders when a family business is passed down, to not only keep tradition and dreams of past generations alive, but also to uphold the goodwill of the family name.

Sandy Kimpton CMIInstD, managing director of Kimpton & Co, says when family businesses are looking at succession planning, one of the biggest decisions keeping them up at night is where parents (as the directors of the company) may be deciding whether to shut up shop or pass the business down their children – who may not want to be involved.

Kimpton works closely with families, assisting them with strategies, professional advice and guidance, creating structures that enable continued wealth-building within their businesses, underpinned by a strong sense of purpose that positions future generations to thrive sustainably.

She says the key differences between the board of a family business and corporate governance are the overarching objectives and the time frames that need to be considered. For non-family businesses, there tends to be a shorter strategic horizon.

“A long time in business is a very short time in family – that's fundamentally where it's different,” she says.

Kimpton is working with families to put in place a horizon of up to 100 years and says concepts around succession planning are not as embedded here as in other parts of the world; her own methodology is informed by international models with much longer histories.

“Oftentimes, here in New Zealand, we assume the child has to be involved in the business,” she says.

“When they're employed in a senior role in the family business, ideally they go through an interview process like everybody else in the company.”

- Sandy Kimpton CMIInstD

Kimpton reinforces the importance of conversations taking place within the family to find out whether the children want to be involved, or if there are other avenues they want to pursue.

Where the next generation wants to take over, there needs to be long-term planning and training to ensure the business is well-positioned. This can include getting the children involved in the business from a young age, exposing them to various aspects of the operational side, or making sure they get experience in external companies.

“When they’re employed in a senior role in the family business, ideally they go through an interview process like everybody else in the company,” she says of the structure that needs to be factored into the process.

Putting performance metrics in place, as with any senior role, is also key and provides clarity around expectations, according to Kimpton. Without them, things can go awry and become detrimental to family relationships.

“This is where it’s important to remember that a family business is not the family nursery . . . there needs to be the right executives in the right roles,” she says of what it takes for any business to perform at its optimal level.

Exposing up-and-coming family members to broader governance issues can also help set the stage for potential governance roles.

“Using a family council structure with interns of the next generation creates a platform for a 10-year training plan. An IoD directors’ course, offshore study, sitting on the board of directors informally or formally, all expose them to good governance,” she says.

Kimpton refers to a family council as a think-tank focused on maintaining momentum across the whole family enterprise. This doesn’t need to be formal by any means, but fundamentally, keeps what is truly important to the family at the forefront while also providing platforms for the upcoming generation to leverage from.

It can include anything from embedding family values, traditions and legacy, along with “relevant and practical aspects of education, oversight of family business interests, health and welfare provisions and anything else that’s important to the family”.

“Done well, the business has the potential to perform and provide for the family in a meaningful way for decades to come.”

Understanding the family legacy and how it filters through the business is essential for a successful business transition to take place.

“Remembering too, the person who built the business and subsequent generations have often lived different lifestyles thanks to what the business has provided, and this influences both mindsets and motivations,” Kimpton says.

An advocate of good governance, family businesses also require robust conversations, transparency of expectations and several of the family members holding sufficient governance skills to ensure solid overview of the business operations, according to Kimpton.

“Done well, the business has the potential to perform and provide for the family in a meaningful way for decades to come.”

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