



FABASA

Newsletter

KEEP GOVERNANCE SIMPLE

Extraction from article in Succeeds Magazine, published by André Diederichs

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LEADERS ARE THE STEWARDS OF THE FAMILY BUSINESS & THE WIDER COMMUNITY

FAMILY BUSINESS GOVERNANCE

The implementation of the new Companies Act and new Consumer Protection Act in April 2011 will force businesses to rethink how they govern their businesses.

ETHICS

Ethics, and more specifically business ethics, places an increasing value on corporate governance. Ethics is an integral part of corporate governance and can no longer serve merely as an appendix to your family business strategy. *"There is a close link between governance and ethics. The nature of corporate governance is such that the concept itself has an ethical character. It can be regarded as a moral obligation that directors have to take care of the interests of investors and other stakeholders,"* says Deon Rossouw, CEO of the Ethics Institute of South Africa.

FAMILY BUSINESS & GOVERNANCE

Good governance is an important business imperative and can create a competitive edge for family

businesses. If a family business does not exercise good governance it might be excluded from trade. In order to remain successful and profitable over several generations, family businesses must understand and address the following factors:

- The environmental changes arising from the global economy.
- The impact of global competition and its impact on regulation.
- The impact of deep-rooted family and business values that may need to be adjusted to remain relevant in a changing world.
- The need to focus on all stakeholders (government, employees, customers, etc.) and not only on family members.
- The responsibility, to the community in which the business operates, to be seen and accepted as a good corporate citizen.

The book, ***Manage family in your family business***, states: "For your family business' management system to be effective, it must take into account the following:

1. The strengths and personal vision of each family member. Remember to write them down to avoid vision changes according to a whim.
2. The image that the family wants to project and how it would like outsiders to perceive the family.
3. The family's values, which must be realistic and not merely window-dressing, should be set out in a formalised statement.
4. The 'rules' – preferably formulated in a family constitution – that govern the behaviour and activities of family members.
5. The need for regular formal family meetings at which governance matters can be discussed.

Remember, the starting point is to openly agree on the governance processes.