

## Fact sheet: Governance and advisory boards: factors to consider

Governance is the system that sets and monitors the direction of an organisation and establishes chains of responsibility and authority within a business. However, governance means different things in different organisations. For family farming businesses, a recommended approach is to establish an advisory board.

When deciding to create a board, consider:

### Family advisory board

A number of winners in small/medium sized businesses engage the services of a board of advice. Make some inquiries, do some detailed thinking, decide whether you believe an advisory board would assist you in running your business. If so, decide:

- what areas of expertise you would like represented on the board
- the type of person you would approach to join your advisory board
- where, when and how often it would meet
- what data would be submitted to the board for advice

### Advisors

Are your advisors competent to advise for your type of business? If your business plan is going to be handed to other people such as financiers, they will be very interested to know who your advisors are. Potential advisors could include:

- accountant
- auditor
- tax agent
- solicitor
- bankers
- marketing consultant
- advertising agent
- business plan consultant
- employment specialist
- farm advisors
- family members

Be open to discussion about where the following factors may affect your business.

### Business outlook in your area

Analyse what is happening to other businesses operating in your location. Are there any trends or signs that you should be considering in formulating your business plan?

### Company administration

Review 'housekeeping issues' annually.

### Debt

Are you happy with debt levels? Is the business able to service debt as it falls due?

### Environmental factors

Have any environmental changes occurred that have impacted on the business? What needs to be done to mitigate the effects? Have any lessons been learnt that could be incorporated in future risk management

contingency plans?

#### Investments

Does the business plan to invest in future growth? What is the investment strategy? How are investments financed?

#### Legal

Does your business have an annual legal check up? Are there particular contractual, land or trust issues which must be attended to?

#### Management

Who are the managers in the business? What are their experience and qualifications? Do you need to conduct an in-depth 'audit' of your management team and management procedures?

#### Public relations

Should you appoint a public relations consultant? Or does your industry have an established public relations strategy that could assist your business?

#### Review

The business plan should not be a document that is thrown in the bottom drawer and forgotten. It should be referred to on an ongoing basis and reviewed at least annually. State your review strategy in your plan.

#### Risk management

Ask yourself what can go wrong and then honestly answer the questions. What happens if a key person dies or leaves? What are your contingency plans?

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