

The Governance Challenge for Family Businesses

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Family-owned businesses are a significant part of the Bay of Plenty economy, particularly in the kiwifruit industry and other horticultural sectors. Many are multi-generational businesses and represent both a family's livelihood and its legacy. As those businesses grow, the decisions become more complex — and the need for clear governance becomes increasingly important to protect both the business and family relationships.

Good governance does not mean turning a family business into a large corporate.

At its simplest, it means putting the right structures around decision-making so that everyone understands their role. Owners set the long-term vision and values, management runs the day-to-day operation, and the board provides oversight, strategic direction and accountability.

A board brings discipline to key decisions

A well-functioning board helps bring structure and discipline to decisions about capital investment, expansion, succession and risk. That can be especially valuable in horticulture, where businesses are managing complex risks including price volatility, labour constraints, changes in technology and business practices (for example, automation and artificial intelligence), biosecurity risks, climate impacts and increasing compliance obligations.

Regular meetings, clear reporting and constructive discussion can help business owners make decisions with better information and less pressure in the moment.

The value of independent perspective

Independent directors can add significant value. Because they sit outside the family and management team, they can bring objectivity, ask difficult questions and keep discussions focused on what is best for the business. They may also bring outside experience in areas such as finance, growth strategy or governance that is not available within the family.

That independent perspective can improve decision-making and strengthen credibility with banks, advisers, suppliers and other business partners. It can also help separate commercial issues from family dynamics, which is often one of the most difficult parts of running a successful family business.

What can go wrong without structure?

Where decision-making is concentrated in one or two family members, or a family board does not function effectively, there is a risk that important issues are not properly addressed. Assumptions may go unchallenged, there can be less transparency and decisions can be influenced by the most dominant voice at the

table rather than commercial considerations.

Succession planning is also frequently overlooked or dealt with poorly where a board is made up exclusively or largely of family members. A good board can facilitate succession planning well before a leadership transition is required, helping to identify future leaders of the business, manage expectations and reduce the risk of family conflict.

Over time, poor governance discourages active participation by executives and other family members who would otherwise add value and can expose the business to avoidable risk.

Getting started

Strong governance does not reduce family control. Done well, it supports that control by creating better processes, clearer roles and more resilient decision-making.

If you are part of a family business and are thinking about board structure, succession, or how to make decision-making more effective, now is a good time to review whether your governance arrangements are fit for purpose.