



KPMG ENTERPRISE

Keeping It in the Family Governance for Family Business

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KPMG Enterprise
Centre for Family Business

Establishing a governance framework for your family business can help improve business performance and satisfy the expectations of all family members. Indeed, this step may be essential if the business is to keep on producing the rewards the family has come to expect.

when it reaches a size and complexity unsuited to informal and unstructured management styles.

Continuation of family ownership and control can be fraught with difficulty. In business, as in life, families don't always see eye to eye. Family members can have different expectations and ambitions for the business. Family disputes can paralyze management of the enterprise, endangering ongoing family control and, sometimes, the very existence of the business.

Better governance of a family business can help improve business performance and satisfy the expectations of all family members.

This stage is often reached when the founder of the business relinquishes day-to-day control of the business or



Feature Case Study

It's not the destination that's our challenge but the journey to get there.

This third generation family business was well aware of the family's expectations of keeping the business in the family. This was engrained since childhood and grandpa's picture adorned more than one wall in the head office of the family business.

The younger third generation owners were still learning from the second generation owners—or "elders," as they referred to them. However, it was clear that if the business was going to make it to the next generation where some 20 cousins were potentially vying for jobs and ownership positions, some form of family governance to effectively manage this would need to be in place.

The ownership group assigned the task to the new third generation owners, since they would be the ones at the helm when the proposed governance structures would be in effect. The third generation owners in turn approached their local chapter of the Canadian Association of Family Enterprise (CAFE) for guidance in the assignment and were referred the services of a family business adviser.

A year later, at the company's annual shareholders' meeting at which all members of the broader family were invited, the new family governance structure and rules, which had been approved by the ownership group, were circulated to all. This in itself was no guarantee that the destination was assured, but it certainly addressed the issue of what the journey would look like getting there.



It's important for families to recognize that a family business has a life of its own that transcends that of the family. It's why a professional and structured approach to the management of the business can serve everyone's best interests. KPMG Enterprise has isolated the main elements in effective family business governance. The following are common best practices of good governance within family enterprises:

Family

- Establish dedicated communication channels (for example, family meetings or family councils) to develop and approve key strategic business decisions, determine management and ownership succession objectives, resolve family disputes and decide how to distribute the wealth generated by the business
- Consider appointing an effective advisory board that includes independent non-family members
- Establish guidelines and policies to help the family make decisions about their individual and collective futures in the management, leadership and ownership of the family business.

Business

- Develop clarity of vision that leads to a proper strategic planning process
- Understand and manage your business risks
- Look for the "bad news," ensuring that problems and irregularities are not overlooked or ignored

- Monitor and evaluate business performance, highlighting key trends and issues
- Establish important business fundamentals that build value and drive growth in your business
- Create an effective assurance framework, embracing management controls and internal and external audits.

Ownership

- Establish ownership criteria for family members
- Develop a shareholders' agreement that supports the overall management and ownership succession objectives (i.e. keeping it in the family)
- Consider the benefits of family trusts to help safeguard family equity and maximize tax savings
- Ensure that the owners' will is in sync with the succession plan
- Complete an estate plan
- Start early so that you are well positioned to realize the full value of your hard work.

How we can help

We work with family businesses of all kinds to help them apply family business "best practices."

In addition to providing Accounting, Audit, Tax and Advisory services, we offer a range of services geared to the needs and dynamics of the family business:



- Transition planning, equity transfers and generational change
- Family councils, family constitutions, board structures, business decision making and assurance frameworks
- Strategic business planning
- Tax planning and compliance, including HST, capital gains tax and income tax
- Planning for wealth creation and wealth preservation
- Asset protection
- Retirement planning, estate planning
- Sale and purchase of family businesses.

Why select us

It makes sense to work with advisers who understand how family business operates. Having worked with family businesses for decades, KPMG Enterprise has the experience and know-how to help you achieve your business objectives and family goals. Some of our professionals come from family businesses themselves.

Value for money

KPMG Enterprise professionals seek to deliver value to their client beyond the fee charged. Our experienced family business professionals isolate the key issues quickly and efficiently. It means you're not paying for someone to learn on the job.

Knowledge and experience

Detailed industry knowledge enhances the quality and relevance of our advice.

Our in-depth industry experience includes manufacturing, automotive, transportation, retailing, food services, franchising, property and construction, communications and technology, and hospitality.

Culture and values

You want business advice that is relevant, timely and, most importantly, objective and independent. KPMG Enterprise values its integrity and independence above all else. We set out to build long-term relationships with our clients built upon mutual respect and trust.

People

Our professionals combine strong technical capabilities with deep business insight and experience. They're proactive in raising issues and know the importance of getting results in a timely, no-fuss manner.

Multi-disciplinary approach

Our clients can draw on our firm's extensive capabilities across a range of disciplines. We've also forged alliances with academics, family business facilitators, lawyers, financial planners and business mentors. These resources can be "mixed and matched" to meet the specific needs of your business. It's an approach that can help avoid the expense and overlap of working with multiple advisers.

Clear, actionable advice

We know our clients don't have the time to wade through advice that is vague and impenetrable. Our advice is practical, jargon-free, relevant and timely.

We work with family business clients to simplify complexity and isolate the key business issues.

About KPMG Enterprise

With decades of experience working with family businesses across the country and with many KPMG Enterprise advisers coming from family businesses themselves, we understand that the nature of a family business is inherently different from a non-family business. That's why we pulled together a unique team of professionals within our firm and developed an equally unique portfolio of services that address the specific needs of Canadian family businesses and their owners.

About The Centre for Family Business Brought to you by KPMG Enterprise

KPMG Enterprise's Centre for Family Business is dedicated to assisting family owned and operated businesses to effectively deal with their unique management challenges. Our goal is to help guide family businesses in their day-to-day operations with a focus on the continuity of the family business. It includes an open virtual forum where members of any family business can share experiences, gain insight into leading practices and obtain the essential support to grow and thrive in today's competitive economy. Visit kpmg.ca/centre-for-family-business.

Contact us

For more information regarding the Audit, Tax and Advisory services offered by KPMG Enterprise, visit our website at kpmg.ca/enterprise or contact:

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