



Charters Help Steer the Family Business

Perhaps you began your business so you could work from home, spend more time with the family or build something up for the kids.

Whatever the reason you'll want to make sure the business continues to thrive in the future when you're not around to run the show.

But in most cases the family business you so lovingly established and nurtured will only continue to succeed if everyone else in the family knows what the business is about, why you started it and what the objectives are.

Too often family businesses in New Zealand do not survive through to the second and third generation. Conflicts are common and, in addition to inadequate planning, often lie at the heart of the relatively high failure rate of small family businesses.

You need to define and explain your business so your children and other family members understand and appreciate the reasons for the sacrifices being made in the quest for ongoing business success.

The family business charter, or constitution, offers a good way to do this. It is a mechanism to assist the family in achieving its objectives. If you haven't written one already for your family business, now is a good time to start.

State your dream at the beginning

Ideally a family charter is written when you're forming the business. That's when you state your dream, what your objectives are and how this business will deal with pertinent issues relating to external management, family disputes, succession and so on. The constitution would outline:

- The objectives of the family
- How the objectives interact with the business plan for the family business
- How to deal with family disputes
- The succession plan for the owner - both short term, in the event of an unforeseen circumstance, and long term, relative to retirement planning
- Management issues and the family's position on employment of external management personnel and external directors
- The appropriate standards of performance and administration for the family business
- A standard of conduct and commitment of family members to the business
- Ongoing management training and skill development necessary for family members to enable them to progress in the management of the family business
- How regular family meetings are to be held.

The family business charter does two things. It sets out the objectives and rules governing the business and maintains a distinction between the family business and the family itself.

This second point is important as disputes can and do happen in family businesses. While there will always be discussion and negotiation, a family business charter will state the formal structures of how decisions should be made and disagreements dealt with.



INDEX

Why Have a Family Charter? _____	1
Facts About Family Businesses _____	2
Promoting Your Business Through the Media _____	2, 3
Next Steps - Keep in Touch with the Media _____	3
Making the Job Offer _____	4

A living document

Remember too that the family charter is a living document. It's not something to pull from the shelf and blow the dust off when you need to check on some procedure. If circumstances change you need to amend the document. It needs to be a relevant current document rather than some historical piece of paper with no relevance to current conditions. If the document is continually updated, it will always reflect current thinking within the family.

There are a lot of issues to take into account when drawing up a family business charter; succession, employment of family members, the question of holding shares in the business and the employment of non-family management are just the tip of the iceberg. In most cases families would benefit from discussing the issues with their accountant who has specific experience in the management of family businesses and the important aspects to consider when writing a family constitution.



What is a family business?

A family business is a business which is owned either privately or publicly that meets any of the following criteria:

- One or more families are in a position to exert a considerable amount of influence on a company's operations.
- One or more family groups are effectively controlling the company.
- A single family owns more than 50% of the voting shares.
- A large proportion of the company's senior management is drawn from the one family group.

A family business can be a company, partnership, family trust or sole proprietor.

The issues involved

- There are distinct problems in achieving the orderly succession in family businesses to the second and third generation.
- Most family businesses have a small number of shareholders.
- CEOs of family businesses tend to hold their positions for longer periods than their counterparts in public companies.
- Many family businesses operate on informality and "snap decisions" which contributes to the high failure rate achieved.
- Many family business proprietors complain of insufficient expansion capital, a shortage of qualified employees, unsuitable premises and family members with no business skills.

Writing a Great Media Release

Have you just launched a new business idea, created a new export market or sponsored a community event? This is news and the local media will want to know about it.

Positive news about your business in the media is fantastic advertising and it's free.

But don't wait for them to come to you. Start writing now. Reporters these days are far too busy to cover everything that's going on. If they have words in front of them, there's more chance the news will be used.

That's where the media release comes in. This is a brief article which gives the pertinent facts about the new thing that has happened or is about to happen. Yes, reporters get flooded with media releases every day and many stories do not get a second look, but if the media release is well written and has some real news to report, chances are they'll use it.

Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.



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What is the news?

First of all ask yourself what is the news? You have to find the most newsworthy point and lead with it. The background detail comes later.

For example if by sponsoring a community event, your company's input has injected some much needed cash and allowed the event to go ahead, then this is the lead sentence. Think of it as a triangle - at the tip is where you state the most important fact. Below this, fan out the next most important facts - the what, when, why, where, how questions. At the bottom give the background information.

Newspapers often don't have room for lengthy articles and will just include the salient points. You've got to have these upfront rather than expect a reporter to search through to find them.



Keep paragraphs down to one or two sentences and sentences short. Include two or three punchy quotes from an appropriate source but make sure they are useful. Quotes should build on or add meaning to the stated facts in the person's own words.

Date the media release and include contact names and numbers at the end so the information can be followed-up. The reporter may well want to ask some further questions. Use mobile numbers - you've got to be contactable if you've put your name down as a contact. Ideally the person listed as a contact will be the person quoted or someone authorised to talk to the media for follow-up information.

If it's going to the print media include a photograph if relevant. Know when the deadlines are and make sure the media release will reach them in time. Send it to all relevant media organisations at the same time preferably by fax or hand delivery.



Next Steps - Keep in touch with the media

The media is an excellent means of promoting your business - don't ignore it.

- Get to know the reporters - the local and community newspapers, radio stations, local TV if appropriate, industry and lifestyle magazines throughout the country. Introduce yourself and tell them about your business.
- Keep in touch - don't wait till after the event. Make sure you keep reporters informed of what's coming up.
- If it's news tell them about it - if you have a good relationship with the reporter, chances are they'll already know what's happening, but write a media release anyway. If reporters are writing their own story they may still lift pieces from your article.
- Follow-up with a call - don't just send them the media release and forget about it. Either call the reporter to tell them it's coming or follow-up afterwards. If they've got you on the phone, they may well ask more questions on the spot and it saves them doing it later.

An important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.



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Making the Formal Job Offer

Finally finding the perfect person to join your team might make you want to break out the bubbly, but hold fire - you've still got to make a formal offer.

You may have had a verbal response from the person saying they are interested in the position; the next step is to confirm the job offer, preferably in writing.

In the letter you need to set out the full terms and conditions of the employment, and list all the details of the job specification. Alternatively you can refer to an employment agreement, which would be enclosed. It is illegal not to have a written employment agreement.

Make sure you explain to the applicant whether the position is covered by a collective employment agreement and what that means to them.

It is very important to carefully check letters of appointment, especially any letters that have been prepared on a standardised basis, to ensure that all of the terms and conditions stated do apply to this particular position.

Through the letter of appointment, the employer is legally committing himself or herself to the conditions outlined in that letter. Make sure the applicant is under no misunderstanding as to what the position actually entails, to whom the applicant reports, what the performance indicators are, what the hours of work are and any other special conditions of the position.



Probationary Period

Probationary periods are usually included in employment contracts. This is the time where the employee receives the appropriate training and assistance needed to do the job and you decide whether the person can actually fulfil the requirements of the position.

If you have any reason for doubts, then it is during the probationary period that you should raise these issues with the employee. Bear in mind however, that even though you have hired the person with a probationary period you cannot simply terminate their employment if you decide you don't want them. You still have to go through the usual dismissal channels.

Proposals to amend this area of employment law have been raised in the political arena. Ask your accountant for more information about offering probationary periods. Your accountant can also give you the information you need to know about employment agreements.



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