

## *Good Governance Leads To Better Family Business Outcomes*

### **SKM Associates LLC**

*Family Business Consulting  
Developing High Performance  
Leaders and Organizations*

Family governance structures alone won't make a business successful, but a business won't grow and be successful long term without the right governance structures. Long-term success takes the same commitment to innovation and excellence that made the enterprise successful in the first place. Good governance structures can set up the business and the family to continue that legacy of success.

Governance structures run the gamut. Some are complex and extensive. Some are simple and straightforward. Appropriate governance structures for any family business must focus on the particularities of the family and the business at issue. There is no one size fits all solution. In general, corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. For family businesses, governance should help formalize issues such as ownership, leadership structures, control, conflict resolution, and communication. For many families, the process of developing family governance can be as valuable and educational as the final product.

The review and development of good governance for a business family should be a normal part of the life and rhythms of the business. Developing these guidelines can at times pull leaders away from daily business operations and can also surface tension between family members. That is normal, and it is a healthy part of the process of developing good governance. As family businesses work to develop their own governance, they need to determine what will work best for their family. The most appropriate governance structures for an organization must be tailored to the particular organization, industry, and family.

There are pieces, however, that are strong foundational components in almost any organization:

- *Family Vision, and Philosophy* – An invaluable starting place for many organizations and families is to take the time to write down the values, vision, and philosophy of the family and the organization.
- *Buy-Sell Agreement* – Drafting a clear buy-sell agreement that lays out how the business will transfer among family members and among generations is vital as families grow and new generations come into the business.
- *Succession Plan* – Developing a strong bench of candidates for future leadership is important for any organization's continued success.
- *Family Council* – Family councils, sometimes called shareholder assemblies, can be an important mechanism for family members and shareholders to guide the organization.
- *Family Meetings* – Annual family meetings provide countless opportunities to update family members on the state of the business and plans for the future; to let family members ask questions and be heard; to keep family members who are not employed in the business engaged; and to recognize accomplishments of family members outside of the business.

Whether your business is in the first generation or the fifth, *Good Governance Leads To Better Family Business Outcomes.*

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