



MIDDLE MARKET ADVISORY

KPMG and Family Business Australia Survey of Family Business Needs 2006

ADVISORY



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Foreword



This is the second national survey conducted by *Deakin University's Family Business Research Program* to identify issues and trends that are considered important to the success of Australian family businesses.

The survey was conducted for the first time in 2005. In 2006, the survey instrument was amended and extended in response to feedback sought from interested practitioners and academics.



The questionnaire used in this survey was designed and managed by Linda Glassop, Pauline Hagel and Dianne Waddell from the Bowater School of Management and Marketing, Deakin University, Melbourne, Australia. The team would like to thank Judy Hagemann, Deakin University, for her assistance with the layout and distribution of the questionnaire.

KPMG has, once again, contributed both financial support and constructive feedback for the research and the team values their ongoing commitment to the project. Our liaison with Edwina Ogilvie, Marketing Manager at KPMG, has made the process more efficient.

The survey was fully endorsed and supported by Family Business Australia (FBA) who used the previous results to canvas members and non-members about their concerns. Philippa Taylor, the Chief Executive Officer, was proactive in highlighting the importance of the research to the members and gathering further responses. This document is a summary of the report.

The target audience for the survey was organisations of all sizes and industries across all states of Australia. The questionnaire was distributed by postal mail to 4,298 family businesses in May 2006, from a list provided by FBA. The questionnaire contained 48 questions under five sections: respondent's background; business details, family involvement in the business; family and succession issues, and operational issues. By the cut-off date there were 373 completed questionnaires and 162 returned to sender unopened.

Introduction

Family businesses comprise a significant part of the Australian economy, yet comparatively little Australian research has been done to verify their contribution, identify their needs, aspirations and challenges (AIM 2004; Glassop, Ho and Waddell 2005).

Establishing the importance of family businesses is difficult because of problems in categorising and defining them (Barrett, Walker, Dunemann, and Rajapakse 2005; Basu 2004; AIM 2004). It is estimated that approximately 67 percent of Australian businesses are family owned and operated and have an estimated wealth of A\$3.6 trillion (Smyrnios and Walker 2003). Basu (2004) concludes that family business comprises half of all Australian businesses, and The Australian Institute of Management (AIM 2004) claim that family businesses account for 40 percent of Australia's public sector output and 50 percent of employment growth. However, very little is known about family businesses and why their survival rate is so low (only 17 percent of them make it past the third generation).

The difficulty in researching family businesses is heightened because they take many forms, ranging from sole traders, private companies to public companies. Family businesses range in size from small, medium or large businesses in terms of employees and turnover. The findings from the KPMG and Family Business Australia Family Business Needs Survey 2005 suggested that family ownership is the most important identifier of a family business with 84 percent of respondents nominating this as the most important descriptor compared to family management (52 percent) or family involvement (50 percent) (Glassop, Ho and Waddell 2005). The distinctive characteristic of family businesses is that they are both an economic and a social unit (Basu 2004).

Even with the differing estimates of the economic contribution of family businesses, the impact of family business must be considerable. It is of concern that there has been little recognition or investigation into the nature of family businesses and the subsequent economic and social affect on Australian society.

The results of the 2006 survey are mostly consistent with our findings in the previous year. The biggest challenge for family businesses continues to be that of growing profitably and the least important is international growth, both of these are consistent with last year's survey results. Last year's survey highlighted the need for succession planning given that 57 percent of survey respondents indicated they would retire within the next 10 years. However, at that point 34 percent of family businesses surveyed did not have a formal succession plan and 27 percent were undecided about their exit strategy while 16 percent were intending to sell the business on retirement. In this year's survey, 61 percent of respondents indicated that they would retire within 10 years and 22 percent stated that they have a formal succession plan (as compared with 17.7 percent in last year's survey).

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The number of business owners who intend to sell their business on the open market as an exit strategy has doubled from 16 percent in 2005 to 38 percent in 2006.

A more significant finding of this year's survey is that the number of business owners who intend to sell their business on the open market as an exit strategy has doubled from 16 percent in 2005 to 38 percent in 2006. While family businesses are making progress in terms of professionalism, the survey found that a quarter of family business owners intend to retire within 5 years, yet many of them have not adequately prepared their business to make it an attractive proposition to prospective buyers. The survey found that a quarter of respondents did not have a strategic business plan and 40 percent did not have a functional plan for finance. Without a robust business infrastructure in place, those looking to sell the business on retirement may not be able to realise the true value of the business because the appropriate business structures are not in place.

Defining a family business

Prior to the industrial revolution business enterprises were seen as synonymous with households and families (Barrett, Walker, Dunemann, and Rajapakse 2005).

While Craig and Lindsay (2002) believe that family involvement is what defines a family business, overwhelmingly survey respondents perceive 'ownership by family' (93 percent) and 'management by family' (67 percent) as considerably more important than 'family involvement' (53 percent) or 'potential generational transfer' (39 percent). These findings are supported by the fact that 97 percent of the equity of respondent businesses is held by family members. It would seem that family business wealth is considerable given that 15 percent of respondent businesses estimate their annual turnovers to be in excess of \$30 million.

As with the 2005 survey, those persons considered to be part of the 'family' are spouses and children (74 percent and 70 percent, respectively) and siblings and parents (42 percent and 40 percent, respectively), while more distant relatives are less inclined to be included as 'family' (less than 16 percent) (refer Table 1). Marriage and blood ties are deemed important, with 7 percent or less respondents opting to include de facto, step-relatives and in-laws as 'family' members.

Sixty-five percent of family businesses have two generations involved in the business in a paid capacity with, on average, 2.4 males and 1.7 females (refer Table 2). The positions held by family members indicate, overwhelmingly, a predominance of males in the positions of CEO (62 percent male and six percent female) and Chairperson (28 percent male and two percent female) (refer Table 3). While the management team of family businesses includes non-family members (29 percent male and 17 percent female), non-family members on the board is less frequent (14 percent male and 2 percent female) (refer Table 4).

Eighty-one percent of survey respondents indicate that they established the business themselves, whereas 18 percent took over an existing business. The most popular reason for doing this was: wanting 'to be own boss' (59 percent) and a desire 'to make money' (57 percent).

It would seem that family business wealth is considerable given that 15 percent of respondent businesses estimate their annual turnovers to be in excess of \$30 million.

Table 1: Relationships that can be included as 'family'

Family members	Percentage
Spouse	74
Children	70
Brothers and sisters	42
Parents	40
Nieces and nephews	16
Grandparents	15
Cousins	15
In-laws	13
Aunts and Uncles	11
De facto	7
Step-relatives	5
Relatives of in-laws	3

(Respondents could select more than one category)

Table 2: Generations involved in the family business in paid and unpaid capacity

Positions	Paid	Unpaid
	Percentage	
First	56	12
Second	65	8
Third	29	3
Fourth	11	3
Fifth	5	1
Don't know	0	0

(Respondents could select more than one category)

Table 3: Positions in business held by family members

Positions	Male	Female
	Percentage	
Director	66	39
Chief executive officer (CEO)	62	6
Management team	30	18
General manager	29	7
Owner/manager	29	12
Chairperson of board	28	2
Member of board	25	14

(Respondents could select more than one category)

Table 4: Positions in business held by non-family members

Positions	Male	Female
	Percentage	
Director	10	2
Chief executive officer (CEO)	5	0
Management team	29	17
General manager	15	3
Chairperson of board	6	0
Member of board	14	2

(Respondents could select more than one category)

Profile of survey respondents

This section of the report provides a breakdown of the personal profile of survey respondents, together with the demographics of their family business and business employment practices.

Respondent personal profile

Of the 373 replies received, slightly more than half were over fifty years of age (58 percent) and 84 percent were Australian born. Respondents were predominantly first (39 percent) and second (33 percent) generation, with just under half (45 percent) having a university or postgraduate degree as their highest level of education. Notably, the majority (81 percent) work more than forty hours per week.

Respondent business profile

Seventy-nine percent of respondent family businesses have their Head Office located in New South Wales/ACT (31 percent), Victoria (28 percent) and South Australia (20 percent), with 'Manufacturing and Distribution' (32 percent) and 'Wholesale and Retail Trade' (42 percent) being the predominant business sectors. The data confirms that family businesses are not just small enterprises. Forty-seven percent of respondents estimate an annual business turnover of more than \$5 million, with 15 percent having more than \$30 million (refer Table 5).

The main type of business is private enterprise (98 percent), with 77 percent being proprietary limited. Ninety-four percent have Australian-based markets (36 percent local, 27 percent state and 31 percent national). Interestingly, the primary source of funds is retained earnings (53 percent), with less reliance on loans of various kinds (36 percent), although some funding sources were unidentified (11 percent).

Notably, the majority (81 percent) work more than forty hours per week.

Table 5: Approximate annual business turnover

Turnover	Percentage
Less than \$500K	9
\$500k to less than \$1 million	12
\$1 million to less than \$5 million	32
\$5 million to less than \$10 million	17
\$10 million to less than \$20 million	10
\$20 million to less than \$30 million	5
\$30 million to less than \$50 million	6
\$50 million to less than \$100 million	3
More than \$100 million	6

The data confirms that family businesses are not just small enterprises.

Employment practices

The number of employees noted by respondents indicates that the majority are medium to large businesses (42 percent have more than 20 employees) or small enterprises (36 percent have 5 to 19 employees), with the balance (22 percent) being micro enterprises (one to four employees) or non-employing.

Respondents were asked to indicate employment trends. Interestingly, 42 percent have increased full-time and part-time employees or encountered no change to employment numbers over the last year (39 percent and 46 percent, respectively). For those businesses that increased their employee numbers, around one-third (33 percent) added five or more full-time employees, while around one-quarter (26 percent) added five or more part-time employees. Respondents were also asked about employment intentions for the next twelve months. Only 8 percent of respondent family businesses plan to decrease their full-time employees and 7 percent plan to decrease their part-time employees, while 6 percent did not know their intentions.

Family business challenges

Family business managers were asked to rate the importance of a range of family and business issues and challenges faced in the running of the business. Analysis of the responses to these questions revealed ten underlying themes. The themes are listed in order of overall importance, based on the overall mean (refer Table 6). A comparison of the importance of these themes to the size of the business reveals some differences in their importance.

Table 6: Family and business issues considered important-by business turnover

<i>Family and business issues*</i>	<i>Business turnover</i>					
	<i>Overall mean</i>	<i>Less than \$1m</i>	<i>\$1m to less than \$5m</i>	<i>\$5m to less than \$10m</i>	<i>\$10m to less than \$50m</i>	<i>More than \$50m</i>
	<i>Overall mean by business turnover</i>					
Growing profitably	6.0	6.0	5.9	6.1	6.1	6.0
Balancing different interests	5.0	4.9	5.0	5.1	4.9	5.1
Regulatory challenges	5.0	4.8	5.0	5.2	5.0	4.8
Planning succession	4.5	4.0	4.3	4.7	4.8	5.1
Future directions	4.3	4.2	4.3	4.4	4.2	4.2
Exiting by retirement	4.2	3.9	4.1	4.4	4.3	3.9
Establishing professional business management	4.0	3.1	3.7	4.4	4.7	5.1
Selling the business	3.9	4.0	4.1	4.0	3.8	2.7
Managing family relationships	3.7	3.2	3.5	4.0	4.0	4.5
International growth	3.1	2.8	3.0	3.2	3.3	3.5

* Items that formed these 10 themes were rated on a 7 point scale: 1 = not at all important and 7 = very important

- **Growing profitably.** Regardless of the size of the business, this was the most important concern for all family business managers. This theme includes concerns about profit and sales growth and the need for planning.
- **Balancing different interests.** This was generally the second most important theme for respondents, again, regardless of size. It includes items to do with the need to balance the interests of the family and the business, deal with family issues, and resolve conflict between family members.
- **Regulatory challenges.** This theme includes concerns about meeting regulatory requirements, and dealing with tax and operational issues. This was a concern for all sizes of business but was less important, marginally, to both the smallest and largest businesses. Presumably, some regulations may not apply to small businesses. Alternatively, their affairs may not be as complex to manage because of their small size. For the largest businesses, regulatory challenges may be of less importance because their size means they have the resources and processes to deal with these challenges and have developed expertise in doing so.

Growing profitably.
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business, this was the most
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It may be that, for the smaller businesses, it is more obvious who the successor will be and therefore, issues of retirement are of lower concern.

- **Planning succession.** Family businesses differ in the importance they place on this theme based on size. Notably, the smallest businesses differ from larger business in that they are the least concerned about issues of selecting, preparing and training a successor or having willing and able successors. The mean results suggest that there is a positive correlation between size and the importance of succession issues. That is, the larger the business, the more important these concerns become.
- **Future directions.** This theme refers to finding a direction for the business and the challenge of moving into new markets. Interestingly, it was equally important to all businesses, regardless of their size.
- **Exiting by retirement.** This theme was the sixth most important on aggregate. It includes retirement planning, estate planning and the transfer of ownership. These concerns are least important to the smallest and largest businesses. It may be that, for the smaller businesses, it is more obvious who the successor will be and therefore, issues of retirement are of lower concern. This interpretation is consistent with the finding that Succession Planning was least important, also, to the smallest sized businesses. This same relationship, however, may not hold for the largest businesses. They are concerned about Succession Planning but less concerned about retirement. Again, this may be because they have estate plans in place, retirement of an owner will not jeopardise the continuance of the business and retirement is less likely to result in a transfer of ownership of the business.
- **Establishing professional business management.** This category includes concerns such as the need to include non-family members on the board of directors, including non-family members in making strategic decisions and setting up a workable board of directors. There are notable differences in the importance of this theme by business size. While it is, on aggregate, only the seventh most important theme, it is the second most important factor for the largest-sized businesses. Again, there is a positive correlation between business size and the importance of this theme. That is, the larger the business, the more important the need to establish professional business management.
- **Selling the business.** This theme includes the need to find a buyer and make a financial evaluation of the business. Not surprisingly, it is more important to smaller businesses than larger businesses. The results suggest a negative correlation between business size and the importance of this theme.

- **Managing family relationships.** This theme includes issues to do with establishing a family constitution, distributing ownership between family members, formalising roles of family members and ensuring equity between family members. The results indicate a positive correlation between the importance of this theme and business size. That is, it is more important for larger sized businesses. Presumably this relationship holds because larger businesses tend to have more family members involved. Therefore, issues of managing family roles and relationships become more critical and complex.
- **International growth.** This was the least important theme overall, consistent with the fact that only 6 percent of the businesses surveyed reported sales from international markets. It is the least important for the smallest sized businesses and the most important for the largest businesses. This relationship is not surprising as the largest businesses are more likely to have international operations and to seek international sales.

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Governance of family businesses

Governing a family business requires differentiating between three primary systems: the owner system, the business system and the family system (Gersick, Davis, McCollom Hampton and Lansberg 1997). The family-to-business mechanisms that facilitate the relationships between these three systems include: A board of directors (BOD), family council, family constitution, executive management team, shareholder assembly and a family assembly.

The KPMG and Family Business Australia Survey of Family Business Needs 2005 identified a low adoption rate for these mechanisms. In the present survey, less than 41 percent of Australian family businesses have only some of the family-to-business mechanisms. The presence of these mechanisms increases slightly for businesses with an annual turnover of more than \$5 million and more for those with an estimated annual turnover of more than \$50 million.

Family business use of an executive management team is high with a 77 percent adoption rate.

A formal BOD or governing body is used by only 41 percent of Australian family businesses, and only increases markedly when annual turnover exceeds \$5 million. Not surprisingly, 90 percent of those family businesses with an annual turnover exceeding \$50 million have a formal BOD or governing body. Clearly, formal business management becomes increasingly important as business wealth grows.

Family business use of an executive management team is high with a 77 percent adoption rate. However, a marked increase occurs when family businesses have an annual turnover of \$5 million or more. This is not surprising given that these large family businesses will generally have more staff and more complex business arrangements.

Of interest is that Family Councils (28 percent) are used more frequently than family constitutions (17 percent). This is surprising given that the primary role of a family council is to interpret the family's desires (usually documented in a family constitution). Where annual turnover is more than \$50 million, the use of a family council appears to be more prevalent.

Alarming, only 17 percent of family businesses have a family constitution in place. Businesses with annual turnover of more than \$50 million tend to be multi-generational enterprises. It is no surprise then that 46 percent of these large businesses have a family constitution, although, the adoption rate is still low. Where annual turnover is less than \$50 million, the use of a family constitution is only 10 to 20 percent. Guiding family involvement in the family business would appear to be a low priority, although conversely ‘establishing professional management’ and ‘managing family relationships’ have been identified within the top ten family business challenges.

Table 7: Use of family-to-business governance mechanisms-by business turnover

<i>Whether these practices are used...</i>	<i>Business turnover</i>					
	<i>Overall mean</i>	<i>Less than \$1m</i>	<i>\$1m to less than \$5m</i>	<i>\$5m to less than \$10m</i>	<i>\$10m to less than \$50m</i>	<i>More than \$50m</i>
	<i>Overall mean by business turnover</i>					
Executive management team	77	56	66	89	94	97
Formal board of directors/governing body	41	15	26	49	58	90
Family assembly	39	19	17	47	43	52
Shareholder assembly	32	4	43	31	34	52
Family council	28	28	25	23	23	53
Family constitution	17	10	9	20	19	46

(Respondents could select more than one category)

Alarming, only 17 percent of family businesses have a family constitution in place.

Business planning

The most commonly used plan was a strategic business plan.

Planning is an important activity for every business, and family businesses are no different in this regard. In the current survey, respondents were asked whether or not the business had plans in nine main areas. The most commonly used plan was a strategic business plan (refer Table 8). The least commonly used was a technology contingency plan. Regardless of the size of the business, at least 75 percent of businesses have a strategic business plan. Similarly, at least 60 percent have a sales and marketing plan. However, for most types of plans, there is a positive correlation between the size of the business and the likelihood of using plans. For example, smaller businesses are much less likely to have human resources and technology contingency plans than larger sized businesses.

The results on the general importance of strategic business and sales and marketing plans are consistent with the findings related to business challenges. Among the most important challenges to businesses, regardless of size, are 'growing profitably' and determining 'future directions'. However, it is a concern that smaller businesses are less likely to have plans in areas that might impact on their profitability and growth such as in manufacturing and operations, information technology and human resources planning.

Table 8: Management planning-by business turnover

Whether these planning practices are used...	Business turnover					
	Overall mean	Less than \$1m	\$1m to less than \$5m	\$5m to less than \$10m	\$10m to less than \$50m	More than \$50m
	Percentage of business turnover					
Strategic business plan	76	74	64	73	88	97
Sales and marketing plan	67	59	54	74	84	79
Manufacturing /operations plan	52	39	44	52	64	74
Finance plan	60	48	51	65	76	71
Information technology	41	37	27	40	54	65
Asset management maintenance	39	21	34	41	50	55
Business risk plan	38	36	33	37	40	50
Human resources plan	34	29	21	37	43	63
Technology contingency plan	28	26	11	31	34	59

(Respondents could select more than one category)

Succession and estate planning

More than half the survey respondents (61 percent) noted that they plan to retire in less than ten years. This is not surprising given that around half (58 percent) are aged over fifty years. However, with the majority of family businesses having no formal succession plan (78 percent) and not yet chosen a successor (62 percent), these family businesses would appear to be at high risk.

The question of succession appears ambiguous given that the same number of respondents indicate that their exit plan is to either pass the business to the next generation or sell it (60 percent) (refer Table 9). With around a quarter (26 percent) of family businesses indicating that they have a succession plan for the CEO and other senior positions held by family members (23 percent), longevity of these family businesses appears doubtful.

Table 9: Exit plans

Exit plans	Percentage
Pass on the business to the next generation	60
Sell business on the open market	38
Sell business to employees, management or other owners	22
Pass on the business to other family member(s)	15
Bring in a partner	8
Publicly list the business	5
Close the business	3
Other	4

(Respondents could select more than one category)

The question of succession appears ambiguous given that the same number of respondents indicate that their exit plan is to either pass the business to the next generation or sell it.

Estate planning

Having a will in place ensures that family wealth is dealt with appropriately when a family member dies. It is, therefore, positive to note that around three-quarters of senior family members (72 percent) have a will in place, although this is considerably less than the 95 percent noted by Smyrnios and Walker in 2003. Of considerable concern, however, is that less than half of the family businesses surveyed (48 percent) claim that wills exist for other family members that have a stake in the business. The protection of family assets appears to be a relatively low priority. More research is needed to understand the problems with establishing and maintaining wills.

General management practices

Management practices are very much the ‘hot topic’ in business circles.

Yet it is often forgotten that family businesses require similar policies and procedures and that they are not exempt from the responsibility of establishing effective and efficient processes to ensure success (Glassop 2005). The disparity in treatment between family and non-family business has been identified and is receiving recognition that changes are required. Also, the activity of consultants or change agents is becoming more prevalent and there is an absence of indicators as to their success or otherwise.

Performance evaluation

There is little doubt that organisations must use performance measurement to stimulate improvement in outcomes and assist in the formulation, implementation and evaluation of future strategic intents (Stewart and Mohammed 2001). Performance evaluation in practice is by no means straightforward and demands considerable thought in its design and implementation.

It is not unexpected then that the larger the organisation, the more likely it is the leader in implementing performance evaluation mechanisms.

It is not unexpected then that the larger the organisation, the more likely it is the leader in implementing performance evaluation mechanisms. Businesses with an annual turnover exceeding \$50 million are far in excess of the average in each category (refer Table 10). The only exception is with environmental performance measures where they are below the average (35 percent), and just in front of businesses with the smallest annual turnover (30 percent as compared to 22 percent). These small businesses are below the average in each category and it would be safe to suggest that as the business grows in annual turnover, the more likely these businesses will adopt a range of performance evaluation methods.

In particular, it is not surprising that ‘financial performance’ is the most commonly used means of performance evaluation, although businesses with an annual turnover of less than \$1 million (16 percent) do not use this method.

Table 10: Performance evaluation practices-by business turnover

	Overall percentage	Business turnover				
		Less than \$1m	\$1m to less than \$5m	\$5m to less than \$10m	\$10m to less than \$50m	More than \$50m
Whether these evaluation practices are used...						
		Percentage by business turnover				
Financial performance	92	84	86	98	99	100
Manufacturing/operational performance	76	56	75	88	87	82
Customer performance (customer feedback)	73	63	74	70	76	82
Human resource performance (employee feedback)	68	52	66	72	71	85
Environmental performance	35	22	33	34	52	30

(Respondents could select more than one category)

Policies, procedures and processes

Procedures provide useful information to policy makers about the preferences of those who stand to be affected within the business (West 2004). More importantly, procedures serve as cues for the accommodation of interests and the resolution of conflict. For example, the desirability of concise, accurate and complete flowcharts, as an integral part of data collection for a business, is a well established fact (Anderson 1965).

Businesses with more than \$5 million in annual turnover are likely to exceed the average in all categories (refer Table 11). On average, both sales and marketing (73 percent) and financial (74 percent) policies and procedures are the most commonly used with information technology (50 percent) being least likely.

Interestingly, it is not the businesses with the smallest annual turnover that are the lowest adopters in all categories. Businesses with an annual turnover between \$1 million and \$5 million are least likely to have human resource and information technology policies and procedures as compared to their other counterparts (40 percent and 30 percent respectively as compared to the average 57 percent and 50 percent). It is also worthy to note that it is this category of business, those with 'medium' turnover are the least likely to use flow charts for manufacturing/operations, which are the most simple of processes (31 percent as compared to the average of 46 percent).

Table 11: Use of policies and procedures-by business turnover

	<i>Business turnover</i>					
	<i>Overall percentage</i>	<i>Less than \$1m</i>	<i>\$1m to less than \$5m</i>	<i>\$5m to less than \$10m</i>	<i>\$10m to less than \$50m</i>	<i>More than \$50m</i>
<i>Whether these policies and procedures are used...</i>						
	<i>Percentage by business turnover</i>					
Sales and marketing	73	57	66	78	89	85
Financial	74	65	62	75	90	97
Manufacturing and operations	61	58	61	77	85	87
Human resources	57	46	40	60	79	82
Information technology	50	44	30	55	68	81
<i>Whether this practice is used...</i>						
Flow charts for manufacturing/operations	46	37	31	53	58	70

(Respondents could select more than one category)

Use of external advisers

All external advisers have experienced the frustration of seeing good projects fail to deliver the results because family businesses were unable to carry out their parts of the job (Schaffer and Siegal 2005). Nevertheless it is obvious that external advisers are the first 'port of call' when advice is required.

There appears a clear demarcation as to the use of external advisers. By far, such functions as accounting, legal, insurance and financial are very much in demand by all businesses regardless of their size (refer Table 12).

Whereas the other areas of business development – technology, marketing and human resources – are less likely to involve external advisers. Only 14 percent of businesses with less than \$1 million annual turnover use the services of external advisers for human resources which is well below the average of 25 percent. This would be an important area to investigate particularly with recent Federal Government legislative changes to workplace practices. The question arises as to how these businesses are maintaining awareness of current issues and practices.

Advice on international expansion depends on the product or service of the business and their strategic intent. Nevertheless it appears that businesses with an annual turnover between \$1 and \$10 million are less likely to seek external counsel (8 percent and 5 percent respectively).

Table 12: Types of external advisors used-by business turnover

<i>Whether these external facilitators are used...</i>	<i>Business turnover</i>					
	<i>Overall percentage</i>	<i>Less than \$1m</i>	<i>\$1m to less than \$5m</i>	<i>\$5m to less than \$10m</i>	<i>\$10m to less than \$50m</i>	<i>More than \$50m</i>
		<i>Percentage by business turnover</i>				
Accounting	86	83	90	83	87	83
Legal	85	76	81	86	96	97
Insurance	84	74	80	88	92	94
Financial	74	67	71	75	79	91
Technology	45	47	41	41	47	57
Marketing	30	28	30	30	27	43
Human resources	25	14	22	22	31	51
International expansion	10	12	8	5	12	20
Other	3					
None	1					

(Respondents could select more than one category)

Human resources practices

Family businesses differ from other businesses due to the central role of the family, specifically the relationship and overlap between family members, business owners and business managers.

The business does not exist without the family and the family's attention is naturally directed towards its business. This then creates difficulties when formalising procedures for the management of human resources whether it be for family or non-family members.

Individual performance appraisals

Much has been written about individual performance appraisals, but undoubtedly the primary purpose is the development of the individual employee whether the employee is family or non-family. In family businesses, the elements of the relationship between family and non-family employees, and how the relationship affects performance appraisal ratings, should be positive and constructive and lead to higher performance appraisal ratings (Schraeder and Simpson 2006).

Efforts to improve the performance appraisal process should lead to greater commitment, regardless of whether family or non-family employees are being appraised (Miller and Thornton 2006). The survey data highlights a disparity in the treatment between family and non-family employees. The statistics give substantive evidence of differential treatment depending on the relationship of the employee to the family. Thirty-four percent of family businesses do not implement any form of individual performance appraisal for family employees (refer Table 13). Comparably, only 11 percent of family businesses do not appraise non-family employees.

Of those businesses that have formal performance appraisal, more non-family members (39 percent) are required to undergo the procedure than family employees (17 percent). If there is a mixture of both formal and informal procedures, once again it is the non-family employee who is more likely to be assessed (27 percent as compared to 17 percent for a family employee). Where the performance appraisal is informal, family employees are the majority (32 percent) but followed closely by non-family employees (23 percent).

Of those businesses that have formal performance appraisal, more non-family members (39 percent) are required to undergo the procedure than family employees (17 percent).

Table 13: Types of performance appraisal

Appraisal types	Family	Non-family
	Percentage	
Formal performance appraisal	17	39
Informal performance appraisal	32	23
Mix of formal and informal	17	27
Don't appraise	34	11

(Respondents could select more than one category)

Mentoring programs

Mentoring programs are initiatives designed to encourage relationships that support learning and development of targeted employees (e.g. newly appointed, high potential employees and individuals from diverse backgrounds). Mentoring programs vary in specific objectives, degree of structure, number of participants, associated training and education, and monitoring and evaluation methods (Kram 2005). Whether such programs are formal or informal, family businesses should be aware that attracting good staff, and retaining high performers, is more likely when the organisation has a formal mentoring program (Allen and O'Brien 2006).

Contrary to anecdotal evidence, there appears little evidence that businesses are mentoring either family or non-family employees (refer Table 14). If mentoring is occurring, it is of the informal style. The numbers are similar for formal mentoring programs in that only nine percent of family employees are mentored as compared to 10 percent of non-family employees in such a manner.

Table 14: Types of mentoring program

Mentoring program	Family	Non-family
	Percentage	
Formal mentoring program	9	10
Informal mentoring program	23	27
Mix of formal and informal program	16	19
No mentoring program	52	44

(Respondents could select more than one category)

Management development programs

The use of management development programs is becoming more recognised as a means by which valued employees are rewarded. Management development programs require considerable investment and planning by businesses and inevitably bring expanded tasks and responsibility to senior levels of management.

There are some businesses that implement 'fast-track' programs, which systematically identify the career development needs of the business and individuals that have the potential to benefit from professional development. Hence, it is understandable that large, traditionally structured organisations that operate in fairly stable environments will rely heavily on management development programs (Larsen, London, Weinstein and Raghuram 1998).

Contrary to anecdotal evidence, there appears little evidence that businesses are mentoring either family or non-family employees.

It is of particular interest that family employees are less likely to be the recipients of a management development program (refer Table 15). Forty-four percent of family employees do not receive such a program and, if they do, it will be either informal (22 percent) or a mixture of both (22 percent). Non-family employees on the other hand are slightly advantaged where 64 percent will be involved in a management development program but with a mixture of informal and formal programs (50 percent).

Table 15: Types of management development program

Management development program	Family	Non-family
	Percentage	
Formal management development program	12	14
Informal management development program	22	26
Mix of formal and informal program	22	24
No management development program	44	36

(Respondents could select more than one category)

Work practices

Work practices and organisational features shape when, how and which decisions are made, underlying the unique character of the decision making process in family business. Decision making activities are not clearly identifiable in ongoing problem-solving actions but are embedded in complex work practices (Alby and Zucchermaglio 2006).

Three quarters of respondents use job descriptions for both key and other roles within the business (refer Table 16). Multi-skilling is also practiced by the majority (68 percent). Documentation of business/family values, a distinctive characteristic of family business, is prepared by less than half of the respondents (48 percent).

Table 16: Use of work practices

Types of work practices used...	Percentage
Job description for key roles	77
Job description for other roles	75
Cross/multi-skilling of employees	68
Written statement about business/family values	48

(Respondents could select more than one category)

It is of particular interest that family employees are less likely to be the recipients of a management development program.

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