

Chapter 9

Conclusion

9.1 This is the first federal parliamentary inquiry to focus specifically on family business issues. It is long overdue. Too often, the understanding of family business has been conflated with micro and small business issues. The media may point to highly successful large and medium-sized businesses that are owned and managed by a family. But for policy makers, the key issue has been the size of the business (in employee numbers and turnover) and the type of legal organisation. The issue of business ownership has not, generally, been of concern.

9.2 Family businesses come in all sizes—micro, small, medium and large—and in all legal forms—companies, trusts, partnerships and (if a definition allows) sole traders. In a financial sense, their issues and interests certainly overlap with those of non-family businesses. However, as this report has discussed, family businesses face unique challenges including internal governance and dealing with sibling rivalry, developing and retaining the family's skill set while employing outside talent, and planning and executing succession (chapter 5). They also appear to have unique characteristics: a long-term risk-averse mindset, greater flexibility in their decision-making than non-family businesses; a commitment to retaining staff; and a significant contribution to the community in which they operate (chapter 4). As one witness described family businesses: '[T]hey are different; they are significant and they are overlooked'.¹

9.3 The principal reason why family businesses have been either ignored, or subsumed within the debate on small business in Australia, is that very little reliable data is available. Indeed, there is no definition of 'family business' upon which official data could be gathered (chapter 2). Without a definition, and without accurate and reliable data, the debate on family business in Australia has been stunted: it has not captured the attention of Australia's policy makers in any systematic way.

9.4 For the past 20 years, consultancies and academics have conducted their own surveys on family businesses (chapter 3). The surveys have various shortcomings. Among surveys conducted by the same researchers, the methodology and even the definition of 'family business' has changed over time; the questions have changed one survey to the next; and the sample sizes have often been low. Nonetheless, these surveys have begun a discussion about family businesses. The findings draw attention to the diversity, economic contribution and resilience of these businesses. There has also been growing academic interest in family businesses, particularly in the links between their governance and performance and whether they employ labour more

1 Professor Ken Moores, Executive Chairman, Moores Family Enterprise, *Committee Hansard*, Brisbane, 16 November 2012, p. 18.

productively than businesses that are not family owned and managed (chapter 4). This research is important and to be encouraged.

9.5 The main purpose of this report is to further the conversation within government about family business issues that this inquiry has started. Given the early stages of this discussion, at this time the committee believes it may be counterproductive for it to present a conclusive definition of family business to be used by policymakers in Australia. Rather, to encourage the best outcome and to ensure that the costs associated with the collection of any official data on family business are justified, it appears that various government departments and agencies require a process through which they can: (a) further consider the issues that are particularly or uniquely relevant to family business and how these issues interconnect with distinct policy areas; and (b) deliberate on how a definition can capture these issues.

9.6 Accordingly, the committee's central recommendation is that government agencies should meet as part of an Inter-Departmental Committee (IDC) to discuss a number of issues related to this inquiry's terms of reference. Most crucially, the committee recommends that the IDC should focus agencies' attention on the public policy need to identify family businesses. In particular, it must identify what has been, and what could be, the need for these agencies to use data relating to family businesses in the development of public policy. This task would lead the IDC to consider whether a survey is needed and if so, how questions could be framed.

9.7 Chapter 2 of this report suggests that the IDC would have to consider two broad types of questions: a first set that relate specifically to determining whether a respondent is a family business; and a second providing policy-makers with the necessary information about these businesses (such as location and sector, financing, productivity, tenure of employment, philanthropic contributions and planning for succession). From this discussion, a definition of family business would be formed. It must address key threshold issues such as whether to include sole traders, how to define a family member, whether to require the intent to pass the business on, and whether to set a limit on size (by number of employees or annual turnover).

9.8 The proposed IDC is an opportunity for policy makers to consider carefully the issue of succession. Chapter 5 of this report has identified succession planning as a key and unique challenge for family businesses. It has also suggested that succession planning should be of concern for government, given some survey evidence of the large number of family business owners intending to retire over the next decade. The committee has recommended that the proposed IDC should consider whether to quantify the number of family businesses in different sectors whose owners plan to retire over the next ten years.

9.9 The committee is not prescriptive about how government should handle the matter of family businesses' succession planning. However, it does consider that the IDC should discuss certain succession issues. For instance, should it be of public policy concern that a large block of family business owners in various sectors of the

Australian economy are soon to retire? Should it be of concern to government if these businesses do not have a succession plan in place? More specifically, should it be an objective of public policy to assist in the preservation of family ownership of a business passing from one generation to the next? Is there a productivity or employment gain possible that a public policy response could enable? There may be a constructive role for government in certain industries to conduct an education campaign to inform family business owners of issues relating to succession planning. Without data, it is difficult to discern a public policy response to these and other questions that have emerged in the course of the inquiry.

Representing and educating the sector

9.10 This inquiry has provided the committee with insight into the representation of the family business sector. Family Business Australia (FBA) is the national peak body devoted to the promotion of family business issues. It is not-for-profit and membership based. The committee commends the FBA for its work in developing and conducting national education programs, as well as state based programs run by the local FBA chapters. It also encourages the FBA's efforts to involve academic institutions in these programs.

9.11 As this report has noted, there is a small but growing body of important research into the family business sector in Australia. The proposed IDC will benefit from these insights. The committee is impressed with the work of the Australian Centre for Family Business at Bond University, Professor Smyrnios and his colleagues at RMIT, Dr Graves and Dr Thomas at the University of Adelaide Business School and Professor Barrett at the University of Wollongong. The committee recognises that the work of these academics will be greatly enhanced if official data is collected.

9.12 The FBA emphasised in evidence to this inquiry that family business is more than simply small business. The point is well taken. Indeed, the committee's observation is that many FBA members are medium and large-sized businesses. They are generally highly successful and attuned to the complex structural and governance issues that face them as the owner-managers of a family business. The contribution that many of these members made to this inquiry was substantial.

9.13 On the other hand, the committee believes that many micro and small family businesses are not aware and not engaged in issues that affect them as family businesses. The committee received only one submission from a family business owner that was not a member of the FBA.² The Council of Small Business of Australia (COSBOA) told the committee that many of its members equate family business with small business. COSBOA leaves the representation of large family

2 Laserforce International, *Submission 32*.

businesses to the FBA.³ The concern, therefore, is that many micro and small family businesses may not be adequately informed about issues that relate specifically to their family business structure, including the remuneration of family members, superannuation, taxation matters and succession planning.

9.14 There does not currently appear to be a body that is genuinely representative of all family businesses in Australia. Recommendations 3, 14, 15, 16, 18, 19 and 21 of this report refer to the need for consultation with the family business sector. The question arises, however, as to which body represents the sector's interests. To paraphrase a former United States Secretary of State, 'who do I call if I want to call the family business sector?'

9.15 The committee believes that at present, the groups best able to participate in these consultations are the FBA and COSBOA. The FBA should consult primarily on matters relating to section 113 of the Corporations Act (recommendations 16 and 17), Division 83A (recommendation 18) and director's duties and liabilities in the Corporations Act (recommendation 19). Recommendation 21 calls on the Reserve Bank of Australia to include representatives of the family business sector on its annual small business panel in each state and territory (chapter 8). COSBOA should have principal responsibility for identifying these representatives.

9.16 The committee anticipates that, depending on the deliberations of the proposed IDC, the representation of family businesses in Australia will broaden and mature. It understands COSBOA's current position on family businesses given the lack of a definition and official data on the family business sector. It is likely that should this information become available, the sector will quickly find representatives that reflect how policy makers identify the sector. In the interim, however, the committee encourages COSBOA to give consideration to how the findings of this report might enrich their current understanding of the small and medium-sized business sector with a richer awareness of the family elements of Australian businesses.

9.17 The committee also foresees that if official data is collected based on a definition of family business, the needs of family businesses will be articulated and more likely to be served. It may be, for instance, that the government's Enterprise Connect program could be tailored to reflect the needs of small and medium-sized family businesses identified in the official data. There may be a need for Enterprise Connect to run the type of programs that are currently being offered by the FBA.

9.18 A final note on the proposed IDC: while the committee believes it is important that the IDC is established, it does not wish to pre-empt or pressure its findings. As this report has emphasised, the key concern of the IDC should be the

3 Mr Peter Strong, Executive Director, Council of Small Business of Australia, *Committee Hansard*, 14 November 2012, p. 26.

agencies' policy need. Only after this discussion should a judgment be made whether to collect data and if so, on what definition and in what form.

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