

The background of the top section of the page is a photograph of several smooth, dark grey stones stacked on top of each other. The stones are arranged in a slightly curved line, and the background is a soft, out-of-focus light blue.

Case study

Family business

Identifying and recruiting good directors is an achievable task.

Recruiting outsiders to your family business board

Bruce Hatcher, Partner, Business advisory services, BDO Kendalls

Highlights

Outside board members can aid the growth, professionalism and profitability of the business over the long term.

The purpose of a board is to provide an overview, not to replace management.

Identifying and recruiting good directors is an achievable task. Seek individuals from similar but unrelated industries, but most importantly, individuals who are willing and able to understand your family's goals for its family business

The Challenge

A client wanted to hire non-family members to their board of directors. As this was a new undertaking there were quite a few concerns involved in the process:

- Concern that people outside the industry won't understand the family business;
- Concern about sharing sensitive information with other people in the industry for fear of losing a competitive advantage.

This case study examines the issues at hand and helps to rationalise fears and concerns family businesses may have.

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Related links

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How we helped

Firstly, it is important to recognise that this decision holds a great deal of potential for the organisation as outside board members can aid the growth, professionalism and profitability of the business over the long term.

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For example, you might feel that your business needs to improve its strategy, but you have little experience or knowledge in strategic planning. Whilst outside directors cannot create the strategy to make you successful, they can help you to understand and implement a proven strategy planning process that can be monitored along the way.

In assisting a wholesale nursery business find outside directors, we once suggested the CEO of a family-owned chicken producer. Both produced their own raw materials in specific geographical areas and produced a commodity that was then sold to large customers at relatively fixed prices. Both faced environmental issues. While chicken might not seem similar to plants, the business had numerous issues in common. Their leaders were able to provide considerable value to one another.

Client thoughts

Identifying and recruiting good directors is an achievable task. Successful business leaders are often only too eager to “give something back” and usually feel honoured by the invitation to serve as an outside director on a board. Seek individuals from similar but unrelated industries, but most importantly, individuals who are willing and able to understand your family’s goals for its family business

For the future

Those in the day-to-day management of the organisation should have specific knowledge and experience and a much deeper understanding of the organisation. The benefit of outside directors lies in the knowledge, experience and business judgement related to the challenges that you expect to be facing now and in the future that they can bring to the table.

For more information

Phone 1300 138 991 or visit www.bdo.com.au