

THE BOTTOM LINE

NEWSLETTER
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FOSTERING NEW ZEALAND'S FAMILY OWNED BUSINESS

Family and owner managed businesses (FOMBs) are the driving force of the New Zealand economy, comprising more than 60% of our businesses – not just the small to medium enterprises but right through to major corporations behind some of our top brands. New Zealand's competitive advantage in an increasingly global market, depends on the sustainability of this vital Family and Owner Managed Business Sector.

Family Businesses are the engine of all markets in the world, and they contribute immensely to the world economy. They are the driving force for most towns and this is particularly true for New Zealand.

Over the next decade we will see the biggest ever inter-generational transfer of wealth, in our history, take place as the baby boomers retire.

According to the latest ANZ Privately owned Business Barometer, 61% of owners are over 50 years old; 23% are over 60 years old; and 41% aspire to retire in the next 5 years. However, only 16% have a plan in place.

Transfer of wealth is potentially the most life threatening stage, for a family business and many do not survive the second and subsequent generations. Family businesses have complex and emotional challenges to resolve as part of this process. Other challenges



include: communication, governance, management of the change, and employment of family members.

It is important that family owned businesses have a plan in place.

TIPS FOR MANAGING EVERYDAY RISKS

Risk management is simply the art of identifying and mitigating risk. The starting point is to consider what can compromise your business and then how to mitigate that risk. Important areas to look at include:

- Key person Lost – is there a key person in your business whose absence would affect the performance of your business?
- Loss of a critical asset – is there a piece of plant, equipment or machinery that if broken down would grind the business to a halt?
- Data and IT – are your computer systems and electronic data adequately backed up?



- Infrastructure – what infrastructure is your business really dependent upon? What things are at your business premises which are critical to your business operations?

- Sales Channels – is your business heavily dependent upon one source of sales or customer?
- Product Supply – Natural disasters can impact on the availability of critical supplies to your business. Try not to rely too heavily on one single supplier.
- Insurance – A thorough analysis by an experienced insurance broker is a key part of any risk management review. Not only will they identify risks which can be insured; they will also assist you identify other risks for which you can determine a strategy or action plan to get your business back up to full capacity.

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HWI Limited Chartered Accountants

Level 3, 139 Carlton Gore Road, Newmarket, Auckland 1023, New Zealand
PO Box 99858, Auckland 1149, New Zealand
Telephone: +64 9 307 8500 Fax: +64 9 307 8505
Web: www.hwi.co.nz

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