

LESSONS FROM THE CORPORATES

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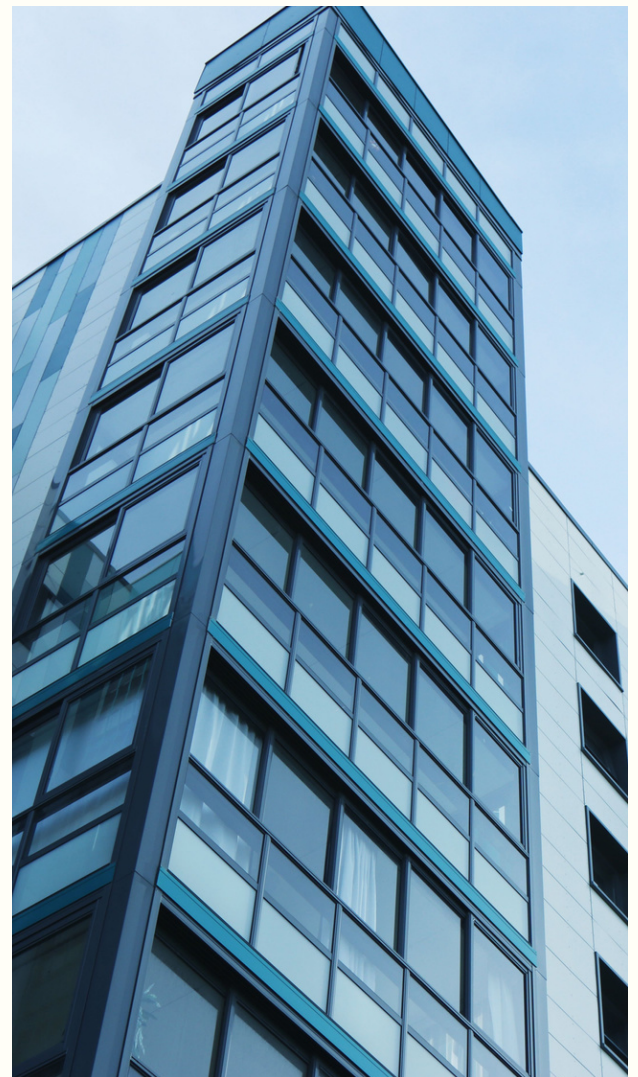
Now if you're a member of a small family business or family farm, you may think that corporate governance is an abstract notion. Why would the rules of order in a boardroom apply to us, when it's really only for big business?

Small businesses are commonly intuitive and adaptive organisations, graced with flexibilities and freedoms, which appear removed from the "set in stone" principles of corporate governance. So, is there anything to learn from the corporate world?

The answer is... maybe not all of the principles are applicable, especially with the complex nuances of farming, or even the uncomplicated nature of a local store, but certainly there are some aspects small business can learn. Here's why.

The term governance is derived from Old French, meaning "to steer". In the corporate world, good governance refers to the framework of rules, systems and processes put in place for a board to "steer" an organisation on its chosen path, and by doing so with good conduct and judgement. It is a framework that disciplines those on the board to be accountable for their decision making.

I'm sure that for those involved in small business you are extremely accountable to the decisions you make, however the difference to the corporate culture, is mainly around the stronger emphasis on risk management, and hence making decisions in a more formal manner.



Whilst small family run businesses, particularly farms, are known for a culture of handshake agreements and trust, corporates are not, where it is common practice for written policies and procedures to be strictly adhered to. A small sample of these could be.

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- Conducting credit checks on potential buyers of goods/services.
- Marketing and business development plans.
- Job descriptions, career path, and formal review processes for the family members working in the business.
- Covid related management policies such as vaccination, workplace management, and working from home policies.
- Using written agreements rather than handshake deals for office or land leasing, share farming, or engaging contractors/employees.
- Equipment replacement plans including which equipment is due for replacement, scheduled timing of replacement, guidance on trade/sell/lease, and financing options.

So if you run a family farm or any SME, why not consider formalising the framework around some of your common business decisions and actions. Learn something from the corporates, become disciplined with documentation/reporting, and maybe become better risk managers.

