

Misconceptions on Advisory Boards.

Read “**Misconceptions on Advisory Boards**” below, and then answer the following questions.

Questions

1. Describe the core distinction between a formal Board of Directors and an Advisory Board within an agribusiness structure. According to Findex research, what misconception exists among small-to-medium farming businesses regarding advisory boards?
2. Explain how implementing an advisory board or quarterly reporting cycle improves financial discipline, risk management, and decision-making for an owner-operated farm business.
3. Evaluate how incorporating an advisory board mitigates governance risks and supports long-term viability across different agribusiness.



Misconceptions about advisory boards

A potential weakness for the lack of advisory boards was highlighted by recent research conducted among farmers. Hayden Dillon, Findex Managing Partner – Accounting & Business Advisory, is concerned that nearly half of the farmers that participated in a recent Findex survey say they don't have any advisory board or governance group support.

WORDS **HAYDEN DILLON**

A DILIGENT MANAGEMENT AND accountability system is essential to the long-term sustainability of any enterprise, and farming is no different. That is why the results of our recent Findex survey concern me.

Nearly half the farmers who took part say they have no advisory board or governance group support, and 45% say they don't see the need.

One of the biggest misconceptions I come across is that structured advisory support is only relevant for very large farming operations. That simply is not right.

The research was a temperature check. It canvassed views on financial, governance, succession and related matters. When nearly half are on board on a single

matter and the other half are not, that is statistically significant, and when the matter is structured external advisory support, it is one we need to be talking about.

This is not about how many staff you have or whether you consider yourself a large farm. It is about the assets, debt, risk and decisions you are managing. Many farming businesses are managing millions of dollars in land, livestock, plant and working capital. In almost any other sector, a business with that level of capital at stake would have some form of external governance or advisory discipline around it.

The answer does not need to be complex or expensive. For many farms, the first step is simply

getting into a quarterly internal reporting rhythm: reviewing real-time management accounts rather than annual tax accounts alone, understanding where the business is tracking, benchmarking performance and making clear decisions about where it is likely to land.

External advice also helps remove some of the emotion and bias that naturally comes with an owner-operated business. Farming is personal. It is family, history, land, legacy and lifestyle wrapped into one. That is exactly why an outside view matters. It tests capital decisions, investment choices and succession issues with a bit more objectivity.

Recent ANZ insights show top-performing farms are lifting productivity and managing higher costs through better decision-making, targeted investment and tighter margin management. The evidence is pretty clear. Better-performing farms are not just working harder, they are measuring better, investing smarter and holding themselves accountable.

Advisory support should be scaled to the business, in the same way as insurance or risk management. It does not need to be over-engineered, but it does need to be deliberate.

Part of that discipline is understanding your own performance against other market participants.

Benchmarking against top performers locally and globally gives you a frame of reference to see how you are doing and shows where there may be room for improvement. I challenge every farmer to measure themselves against others in their industry because until you know what is possible you may well be missing out without knowing it.

The opportunity is to see governance as a practical performance tool, not a corporate formality. No farm is too small to benefit from greater financial discipline. Even the act of measuring performance, reviewing it quarterly, benchmarking against others in the industry and being held accountable by an external advisor is a step forward. The farms that do this consistently are more likely to make better decisions, protect capital and improve profitability.



“Many farming businesses are managing millions of dollars in land, livestock, plant and working capital. In almost any other sector, a business with that level of capital at stake would have some form of external governance or advisory discipline around it.”

HAYDEN DILLON
FINDEX

In my experience, the farms that don't grow and thrive are the ones that don't plan. Almost every farmer I have met is incredibly resourceful and tends to have an informal advice network among suppliers and associates.

But proper advice on financial and governance matters is essential. It is a key element in improving performance by taking advantage of specialised knowledge in compliance, hedging against market risk, dealing with interest rate fluctuations, technology identification and adoption, capital management and the always-challenging topic of succession planning.

If you take one thing from this, make it the next quarter. Put real numbers in front of someone outside the business and ask them what they see. ☞

Disclaimer: Findex NZ Limited trading as Findex. The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries. The views and opinions expressed in this article are those of the author/s and do not necessarily reflect the thought or position of Findex.

Answers

1. Describe the core distinction between a formal Board of Directors and an Advisory Board within an agribusiness structure. According to Findex research, what misconception exists among small-to-medium farming businesses regarding advisory boards?

- *Distinction in Governance Structure:*
 - *A Board of Directors holds ultimate legal authority, fiduciary duty, and formal liability under the Companies Act for governing a company.*
 - *An Advisory Board is an informal or formal body that provides strategic guidance, objective testing, and specialized expertise without taking on legal liability or binding decision-making power over the business owners.*
- *Common Misconception: Nearly half of surveyed farmers do not use external governance, with 45% believing they don't see the need because they view structured advisory support as something relevant only to very large corporate farming operations. In reality, advisory boards are a scalable performance tool based on managing high capital assets, debt, and market risk rather than staff numbers or operational size.*

2. Explain how implementing an advisory board or quarterly reporting cycle improves financial discipline, risk management, and decision-making for an owner-operated farm business.

- *Farming in New Zealand is deeply personal, combining family history, land ownership, and lifestyle. An advisory board introduces external objectivity to test major capital decisions, asset purchases, and investment strategies without emotional bias.*
- *Many small agribusinesses rely solely on annual tax accounts prepared long after year-end. Establishing an advisory rhythm enforces quarterly reviews of real-time management accounts, enabling farmers to track performance, hedge against interest rate and market risk, and benchmarking against top industry performers.*
- *Top-performing agribusinesses manage higher input costs and lift productivity through tighter margin management and external accountability. Having outside advisors ensures owners stick to strategic plans, adopt relevant technologies, and address complex issues like succession planning before a crisis occurs.*

3. Evaluate how incorporating an advisory board mitigates governance risks and supports long-term viability across different agribusiness.

Impact on Sole Traders and Partnerships:

- *Sole traders and partnerships often lack internal checks and balances, relying heavily on informal advice networks (suppliers, sales reps) that lack dedicated financial overview. Incorporating an advisory board provides structured, objective oversight while preserving the flexibility of the ownership structure.*
- *It introduces financial accountability, ensuring capital investments (such as plant or land expansions) are evaluated on ROI and debt serviceability rather than gut feel.*

Impact on Private Companies and Family Trusts:

- *Family companies and trusts manage millions of dollars in land, livestock, and working capital, yet governance often collapses due to family dynamics. An advisory board acts as a bridge between family stakeholders and business managers, enforcing quarterly performance tracking and succession discussions.*
- *Unlike a rigid corporate Board of Directors, an advisory board can be scaled directly to the risk level of the entity. It protects non-active shareholders / beneficiaries by ensuring management accounts are reviewed regularly and benchmarked against top local and global producers.*

Evaluation / Conclusion: Regardless of whether a farm operates as an informal partnership or a complex company structure, the lack of strategic planning is a primary driver of stagnation. Treating governance as a practical performance tool rather than a corporate formality ensures that agribusinesses protect their capital assets, optimise profit margins, and guarantee intergenerational sustainability.