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Confédération Européenne des Associations d'Administrateurs

European Confederation of Directors' Associations

GOVERNANCE FOR FAMILY BUSINESSES: LEVERAGING SUSTAINABLE GROWTH PERSPECTIVES - Summary Report

Brussels, April 2014

GOVERNANCE FOR FAMILY BUSINESSES: LEVERAGING SUSTAINABLE GROWTH PERSPECTIVES
Summary Report – ecoDa Roundtable Discussion
12 March 2014

The European Confederation of Directors' Associations (ecoDa) has organised a high-level roundtable discussion on family businesses and corporate governance in cooperation with the European Commission on March 12, 2014. Family businesses represent in fact a fundamental economic force in Europe (about 50% of jobs) and play an important role in bringing stability with a responsible ownership approach and strong ethical values. Family businesses are therefore completely in line with the EU 2020 strategy for sustainable growth and bring the long term perspective that the EU would like to see implemented in all kinds of companies.

The objective of this roundtable discussion was to better understand the strengths of those family businesses but also the challenges that they might face. Indeed, in some countries, a lot of companies belong already to the 5th or 6th generation, while in some other countries there is a large fall-out over the third generation.

This report tries to summarize the very rich debate that ecoDa had with all the very distinguished panellists (see Appendix 1).

I- Positioning Family Businesses

Family businesses have been defined in the Final Report of the European Expert Group of November 2009 (see Appendix 2) as follows:

"A firm, of any size, is a family business, if:
(1) The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
(2) The majority of decision-making rights are indirect or direct.
(3) At least one representative of the family or kin is formally involved in the governance of the firm.
(4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital."

Family businesses do not represent a homogeneous sector but a wide range of companies:

- From the smallest SME to the largest listed companies
- From family managed over family controlled family business to family investor (business family)
- From 'Do' to 'Lead to do' and finally to 'Let do'
- Consequently the ownership (and voting) structure of the family matters when developing governance for family businesses.

However, some common features can be observed:

- The two main characteristics of family business are its concentrated shareholding structure (or voting rights are organised in a structured and concentrated way) and the fact that family members are involved in one way or another in the leadership of the business. The most distinctive feature being the role played by (a) family (families).
- They contribute in a very substantial way to the creation of jobs, growth and societal wealth. Consequently stimulating good practices and continuity in family business is an essential part of EU policy, answering to the public interests involved.
- Building a strong culture and an atmosphere of mutual commitment.
- Benefiting from a longer term view, they excel in responsible ownership creating more sustainable growth (a quality highly appreciated after the financial crisis and the downside-effects of short termism).
- The concentration of shareholding and monitoring by insiders is somewhat at odds with the traditional academic assumption that dispersed shareholding with outsider control is the final format for companies willing to grow into larger companies (Chandler). However it is in line with more recent research that attributes quite a number of benefits to active monitoring by concentrated shareholders. These benefits are related to the fact that managing your own money is different than managing others' money; having skin in the game is what makes a difference. Important benefits attributed to family businesses include: more resilient (see also research of EY 'Build to last'), more critical on spending money, less emphasis on debt, less (risky) deal making (M&A), more diversified, international orientation, good at retaining talent (notwithstanding relatively lower remuneration levels). It was stated that family businesses have no fancy headquarter buildings and are less involved in deal making that is seen as excessively risky.
- Transparency and respect of minority rights are largely applied in family businesses.
- The combination between family and business can build strong resilient companies (combining the best of both worlds) that can do better in downturns than non-family businesses. However success may depend more on the family than on the business, so that this combination may also lead to the 'worst of both worlds'.

This positive overview does not mean that family businesses are not faced with important challenges. It is clear that the interaction between business and family universe also creates specific challenges that need to be addressed. This is fundamental if one aims at promoting growth and sustainability, supported by family businesses.

II- Specific governance challenges

As any company, a family business needs to invest in developing a professional governance framework and practice. However in a family business this governance exercise is extra complex given the two spheres, respectively the business and the family; these may sometimes be perceived as two conflicting universes. To this end it is necessary to clearly distinguish the development of two sets of tailored governance -family governance and corporate governance-, with special attention for the interface and interaction between the two.

The main governance challenges that need further attention include:

1. Clearly defining the role and responsibilities of the family (organs) and the business (organs)
2. Organizing the respective governance frameworks
3. Creating alignment and interaction between both worlds
4. Defining the values that need to segment both worlds together
5. Timely preparation of transmission and succession
6. The role of 'outsiders'
7. Special attention for balancing the needs of liquidity and control
8. Managing conflicts of interest and preventing private benefits.

1. <u>Role & responsibilities of family and business</u>

Best practices can be summarized as follows:

- It is important to keep the family as close as possible to the business.
- There is not a one-size-fits-all approach but a tailored framework that evolves in a dynamic way to support the long term development of the family business.
- It is important to establish clear guidelines for the role of the family and the business and to define who is responsible for what
- It is also important to clearly define decision-making rights for the family within the business firm(s). In a growing company it will be necessary to develop clear principles of delegation (making clear what they can do and can decide upon), but also for accountability and control (over delegated decision-making). Family businesses may limit their growth and expansion, if unwilling to share decision-making power with professional parties (in management, but also in capital). But for successful delegation, it is important to install sufficient trust. Moreover a company with well-organised delegation principles and with checks and balances in place is easier to transfer (or even sell): making sure the business has a life beyond the owner. Corporate Governance can increase confidence to delegate and can facilitate the creation of a professional organisation for which the staff is happy to work.
- Special point of attention is to develop clear nomination principles and selection criteria for the involvement of family members in all of the layers of the business firm(s): the board of directors (chairman, non-executive director); the management (CEO, executive director, non-director) as well as for the employment of family members in all segments of the business firm.
- When vacancies appear, it is important to install an open and objective selection process. Any involvement should be based on critical evaluation and an objective process. A meritocratic approach is the only guarantee for long-lasting family businesses.
- As to the question which family member can perform which function within the business, quite different models exist: no family members as CEO (some families prefer to select the management leaders out of the huge number of employees compared to the more limited number of family shareholders) or in management and/or as employee (some might allow employment beyond CEO for all family members, however with tough screening). In SMEs family members may perform all functions: shareholder, board member and member of management (in a very small enterprise all these functions may even be integrated into one person) whereas in larger family firms it may not be allowed for family members to work in the business.

- Once it is assumed that family members can/may take up functions in the family business it is important to invest time and energy in their education and induction in the business (role of mentoring); it may also be crucial for them to gain expertise in other firms, abroad, etc. Coalition among the family members can be strengthened through training and information. It is important to prepare the family chair to train him / her.

2. <u>Organizing the respective governance frameworks</u>

Best practices can be summarized as follows:

- It is good to clearly distinguish between family governance and corporate governance. Governance in both spheres is doable as long as the conviction is there with the owners that it adds value.
- Whereas corporate governance for family businesses can rely on the guidance for listed or unlisted companies (depending upon the type of business firm) and is therefore rational, the development of family governance is of a quite different nature. In family governance special attention needs to be paid to the emotional aspects, the family values and ambition, the specific family history and the like (a" chief emotional officer" might be needed).
- Bodies or instruments that facilitate the smooth development of family governance include:
    - A family charter
    - A shareholder statement/agreement
    - A family meeting or assembly
    - A family council
    - A family nomination (and remuneration) committee
- Each of these instruments needs to be well defined and respected in practice. Enforcement can be based on ethical and moral values. In case of no respect, than the first reaction can be moral persuasion, if not successful it might be necessary to remove the person in question, evocate his or her power. A final and last solution is using civil law to call for indemnification.
- One better anticipates and develops such instruments when times are right, in order to be ready when problems pop up. It is indeed crucial to set the rules in advance before any conflict of interest occurs.
- Often the process of developing good family governance delivers highly positive energy for the family. The process might even be more important than the result.

3. <u>Creating alignment and interaction between both worlds</u>

Best practices can be summarized as follows:

- Notwithstanding the need for developing both governance frameworks with quite a different character, there may not be disconnect between the two. Consistency is needed between all the instruments / documents related to the family organisations on the one hand and the business organisations at the other hand.
- Important to focus on the interface between family and corporate governance, between the respective governance bodies and leaders. This will become all the more important from the 3d generation onwards (second generation having lived through the growth of the family and the business, the third being somewhat more distant from the founder, the family business, the family and business values).

- Building bridges between the business and the family: both have to be aware of the culture and values that need to transcend from one sphere into the other. But one has to be aware that in a family the approach might be more emotional and personal whereas in the business firm the approach will be more rational and more facts & figures oriented.
- Crucial to build mutual respect and trust.
- Unity creates value.
- Involvement might be an important instrument to build bridges and unity.
- Cohesion is hard to reach. Paradoxically, it may become easier when the shareholders get more numerous and the shareholder relations can be managed more professionally and less emotionally.
- Alignment of charters, synchronisation of procedures.

4. <u>Defining the values that need to cement both worlds together</u>

Best practices can be summarized as follows:

- Family values are best described in the family charter and taken over by the family business as guiding principles for the development of the corporate governance and the business conduct. Values are the glue that links the family together and aligns them with the business.
- Managing the business by values (the perpetuating values of the founder) and leadership by examples are essential ingredients of family values and family businesses. However one has to realize that these values need to be lived by: it is more a question of the quality and the ethics of the people involved than the written value statements.
- Family values are often the brand of the family business, giving it credibility, reliability and a long term perspective, with respect for societal values and stakeholder interests. Indeed ethical business conduct and CSR (with a strong customer focus) are embedded into the genes of family businesses. Such long term vision is more than welcome in an era where short termism has led to problematic economic and financial situations.
- But long term sustainability needs to go hand in hand with a readiness for change (better anticipating change than being forced to adapt to change). Renewal is a precondition for longevity.
- Also in line with the long-term character of the family business is the need for passing on the values to the next generation, investing into their expertise and know how, caring about what comes afterwards and building stewardship. Developing a vision building process with the next generation can be an option. It is important to question the mission statement and to define why the family should stay together. Trust has to be developed among the family (to this end also social activities might be organised).
- In the context of long term viability, it is also important to ensure that the business interests are given priority: recipes of successful family businesses include the following statements: "the business first, seconds the family and third the individual family members" or "the business is not 'at the service' of the family" or "support the business, but not milk it".

5. <u>Timely preparation of transmission and succession</u>

Best practices can be summarized as follows:

- The outfall of family businesses at the occasion of a succession is rather important in the first and second generation. Succession is like walking on ice. Therefore more attention has to be given to preparing well in advance a smooth transition of the business to the next generation (a point raised by all speakers).
- This does not mean that succession to the next generation might be the only solution. Alternative paths can and should be considered well in advance. Selling the business might be the best solution if the family shareholders are no longer interested and willing to run the business. If looking for external solutions, it seems that family businesses prefer to team up with other families rather than looking for external financial parties or traditional M&As; there is a presumption that they share the same values. An interesting alternative solution is to stimulate the next generation to establish their own new business venture with the financial support of the family.
- The crucial element in a timely preparation for transmission and succession is to have well-developed family governance at your disposal. Such instruments will accompany the family in making the transition more smoothly.
- This is all the more important since family members are more captive shareholders or shareholders by accident, they need to be convinced and build the necessary affection.

6. The role of 'outsiders'

Best practices can be summarized as follows:

- External directors can deliver an important value added in family businesses
    - Giving an outside view (observing what insiders do not see)
    - Bringing in specific professional expertise and experience
    - Bringing a rational and professional element into the discussion
    - Important for fostering change
    - Impartial outlook and consequently very important role as arbiter in case family conflicts pop up (e.g. the role played by external chairman)
    - Hygiene factor.
- However they need to be well aware of the specific challenges a family business is confronted with.
- External directors need to be critical while at the same time constructive.
- External directors need to win the trust of the family members.
- External directors / Outsiders have by nature to be senior people.
- Besides the role that outsiders can play, family businesses might consider organising their board meetings in neutral locations outside, the family environment.

7. Special attention for balancing the needs of liquidity and control

Best practices can be summarized as follows:

- Family businesses and business families are sometimes faced with conflicting agendas between the need for growth financing, the liquidity needs of family members and the desire to keep the control over the business firms. One of the main characteristics of family businesses is that they attach great value to the independence of their business and hence want to keep control over the major business decisions. At the same time, families often rely on the dividends and income from the business firm.

- These conflicting needs deserve special attention in family as well as in corporate governance.
  - Auto-financing needs will need to be balanced with dividend payments. So agreeing upon the capital and financing structure as well as on the dividend policy is a crucial element in family governance.
  - If external funding is needed, it will be important to find funding that further allows the family to remain in the driving seat. Careful comparisons will be necessary between bank funding, private equity and listing.
  - In order to be able to rely on patient family shareholders, it will be important to inform them clearly about the business opportunities and challenges and agree upon a capital and financing strategy.
  - The family should also prepare a policy, backed by the necessary instruments, in case family members want to sell (part of) their shares. Liquidity is essential for (older) family businesses. It may be necessary to facilitate and allow them to be able to pay inheritance tax or to set up their own business or finance private investments. To this end, it will be important that clear rules on the transfer of shares have been established beforehand. Such rules may prevent shareholders to feel imprisoned in the family business (if you offer them liquidity they may want to stay, whereas without liquidity they may feel in prison, and therefore want to get out).

8. <u>Managing conflicts of interest and preventing private benefits</u>

<u>Best practices can be summarized as follows:</u>

- Notwithstanding the numerous efforts to align the interests of family shareholders and built cohesion between numerous shareholders, one cannot prevent that the interests might diverge over time. To this end, family as well as corporate governance should be well aware of these potential conflicting agendas and prepare beforehand special instruments and procedures to cope and manage such conflicts of interest.
- An additional element that deserves special attention is to ensure that those family members that are in leading positions, as to strategic choices and decision-making do not abuse their position of power. Also here family and corporate governance will need to deliver the necessary values, instruments and procedures to make sure no private benefits prevail. In this respect, one may refer to the essential rules of 'business first', as highlighted in the section on family and business values.

III- Recommendations to the EU

All participants provided the EU Commission with their recommendations. A summary of these suggestions includes the following recommendations:

- A first important lesson learned, is that there is clearly no demand at the level of family businesses for developing new rules and regulations. Over-regulation is perceived as a threat. Quota regulation to promote women on boards is seen as an issue for family businesses. Family businesses foster self-regulation (on governance -do not regulate the how to do-; on CSR etc.). Even more, it is suggested that all regulations should be critically evaluated and tested to what extent they help or hinder business development. The EU should focus on what really matters to create societal welfare and should focus on good corporate governance.

- However they suggest the EU to support initiatives to disseminate good practices and stimulate more guidance on family and corporate governance.
- At the same time a better understanding of the specific characteristics, advantages and challenges of family business might foster a better dialogue with these companies and help in spreading awareness across Europe that ownership structures really matter.
- The attention paid up to now in stimulating entrepreneurship and new start-ups has not been complemented with sufficient attention for facilitating and stimulating the long-term survival of family businesses. This is important since new enterprises create on average 2 new jobs, while growth of existing businesses delivers 5 new jobs a year on average. To this end more emphasis should be placed on developing support and guidance to facilitate transmission and succession. Also tax incentives might be very important in this respect (although one has to be aware that most taxation is an exclusive authority of the national Member States).
- May be it could be beneficial to foster a comprehensive promotion of family businesses and integrate the now dispersed responsibilities within the EU commission into one entity that focuses on this important class of business and wealth creation, while at the same time diversifying the approach according to the different types of family businesses (e.g. listed versus unlisted companies).
- Given the challenge to finance growth, while remaining in control, it may be important to look into the issue of control enhancing mechanisms (certainly if the aim is to foster growth within family businesses).
- To create sufficient liquidity for closed family businesses, it would be good to promote different formats of internal liquidity vehicles (internal stock market, solidarity fund) as well as formats that can be developed by banks (building internal markets for share transactions).
- Given the importance attached to active and long-term shareholders, the EU might promote instruments for stimulating and favouring long term shareholders (such as through differential voting rights, differential dividend rights as well as preferred tax treatment of long term shareholders dividends).
- Another area of support might be to foster more professionalism in the board room and stimulate training of directors.
- The EU should foster entrepreneurship and promote “mini-enterprise” projects in schools. It has been proven that children participating in those projects are keener to become entrepreneurs.
- Moreover, the EU should acknowledge that each family business has to find its own recipe for good corporate governance and growth. There is no miracle recipe or one-size-fits-all solution as stated before.

For further details, please contact: contact@ecoda.org

APPENDIX 1: Speakers' Biographies

Philip Aminoff

Non-family Chairman of Paulig Ab and Chairman of Electrosonic Group Oy Ab

Philip Aminoff (51) MSc (Econ), MBA (INSEAD), is Chairman of Electrosonic Group Oy Ab, Helvar Merca Oy Ab and Paulig Ltd, and a member of the board of Veho Group Oy Ab. He is also a member of the supervisory board of LähiTapiola Mutual General Insurance Company, a member of the Board of Hanken School of Economics, and Chairman of the jury for the Entrepreneur of the Year Award in Finland. He is a Fellow of the Institute of Directors (UK) and a member of the Directors Institute of Finland.

Philip represented Finland in the Business Chamber of the Enterprise Policy Group of the European Commission 2007-12 and was Chairman of European Family Businesses (EFB) 2008-12.

Roger Barker

Director, Corporate Governance and Professional Standards at the Institute of Directors

Dr. Roger Barker is Director of Corporate Governance and Professional Standards at the Institute of Directors (UK). He is Senior Advisor to the Board of ecoDa (European Confederation of Directors' Associations) and Chairman of the ecoDa education committee. He is a board member of European Women on Boards ASBL. He sits on several corporate governance advisory boards, including those of the Institute of Chartered Accountants in England and Wales (ICAEW) and ISS European Governance Exchange.

Dr. Barker is a visiting lecturer at the Said Business School (University of Oxford), ESSEC (Paris), UCL (London), Birkbeck (London) and the Ministry of Defence (UK). Dr. Barker's book - *Corporate Governance, Competition, and Political Parties: Explaining Corporate Governance Change in Europe* – was published by Oxford University Press in 2010. He is also the author of the IoD's main guide to the role of the board, *The Effective Board: Building Individual and Board Success* (Kogan Page, 2010).

During the first part of his career, Dr. Barker spent 13 years as an investment banker, in London and Zürich, with UBS and Bank Vontobel. He is the holder of a doctorate on corporate governance from Oxford University, where he was a Lecturer at Merton College, and also has undergraduate and postgraduate degrees in economics, finance and political science from the universities of Cambridge, Southampton and Cardiff.

Ugo Bassi

Director, Capital and Companies, DG MARKT, European Commission

Ugo Bassi is Director of Capital and Companies in the European Commission's Internal Market DG (DG.MARKT.F). As a senior manager, he has now four units under his auspices, covering important files related to:
-The free movement of capital
-Corporate governance
-Anti-Money Laundering
-Accounting and financial reporting
-Audit
-Credit Rating Agencies
A lawyer by profession, Ugo Bassi has been working in DG Markt for eighteen years, prior to which he gained considerable experience as "*Référendaire*" in the Court of Justice. He has headed three different, units dealing with Internal Market: in the area of public procurement; asset management and securities. Many of the policies under his charge were in direct response to the financial crisis but he has also managed teams covering the more traditional internal market issues.

Marcial Campos Calvo-Sotelo

Independent Board Director of different large Spanish family business groups and member of IC-A's Professional Standard Committee

Marcial Campos is currently an independent Board Director at two family-owned companies with a multinational profile. At Agrolimen , a diversified consumer goods group where he also chairs the Compensation and Nomination Committee and at Puig, a fragrance and fashion group where he is also a member of the Audit and the Compensation and Nomination Committees. Along his career, he has been a Board Director at Banco Pastor, at the Instituto Nacional de Industria (INI) and at several other companies.
He is a member of ICA (Instituto de Consejeros y Administradores) a private organization dedicated to the development and promotion of Good Governance Practices, and he frequently participates as faculty in their seminars and education programs. He is also an Honorary Board member of Plan International in Spain, an NGO dedicated to helping children around the World, where he has been Chairman till 2011
Marcial has worked at McKinsey and Company for most of his career. He has been a Director (senior partner) of the Firm and he has worked over the years with numerous clients in Europe and America advising them in areas of strategy, organization and operations. He has been the leader of the Firms's European Industrial Sectors Practice and he has been a member of several of the Firm´s Governance committees including the Shareholders Council (the Firm elected Board of Directors worldwide). He was one of the pioneers who introduced McKinsey and its practice to Spain. He retired from the Firm becoming Director Emmeritus in 2002.
Between 1975 and 1982 his career was more diversified. He worked at Banco Urquijo, then an industrial bank, with a focus on the bank portfolio of participated companies. He was appointed Director General for Technology and Industrial Development at the Minister of Industry where he served for approximately two years, and he also worked for three years as Deputy Managing Director of Explosivos Río Tinto, a diversified chemical group.

Marcial has an Engineering degree from the Escuela Técnica Superior de Ingenieros Industriales de Madrid, and a graduate business degree from ICADE. He is a Fullbright Scholar and has an MBA from the Graduate School of Industrial Administration at Carnegie-Mellon University.
He is fluent in Spanish, English, French and Portuguese.

Jesús Casado

General Secretary, European Family Businesses

He is Secretary General of European Family Businesses since 2006, a federation based in Brussels of 12 National Family Businesses associations that aims to promote policies that are conductive to long term entrepreneurship in Europe. Its members, more than 9.000 family business owners, represent directly a turnover in excess of one trillion Euros, 9% of the European GDP.
He is also member of the European Commission Expert Group on Family Business representing Spain, member of the Board of the Family Firm Institute, the leading global membership organisation serving the family enterprise field, headquartered in Boston, USA. Member of the High Level Group of Administrative Burdens reporting directly to President of the European Commission Durao Barroso.
He is also International Relations Director at Instituto de la Empresa Familiar in Spain, and visiting Professor of Family Business at ESADE Barcelona.
Before, he practiced law at Telefonica, S.A. and served 6 years as member of the Executive Committee of Family Business Network (FBN).
Jesús holds a MBA at ESADE Business School (2006-2007) and a degree in Law (1989/1994) at Universidad Pontificia de Comillas ICADE (Madrid). He has also post-graduate studies at Eberhard Karls Universität Tübingen (Germany) (1994), at the Spanish Diplomatic School (1995/1998) and at Institut de Sciences Politiques de Paris (1997).

Jacques Crahay

Managing Director, Cosucra-groupe Warcoing

He has spent more than 20 years developing the pea proteins with Provital company. From the lab scale to the production plant, he contributed to the birth and growth of this new industry and achieved to make the Pisane brand the leader on the market of the vegetable nutritional proteins. He bears a chemical engineering master and is currently the CEO of COSUCRA groupe Warcoin.

Ian Dormer

Chair, IoD Managing Director
Rosh Engineering Ltd, Birtley, County Durham

For more than 25 years he has been Managing Director of Birtley, County Durham based specialist high voltage engineering contractor Rosh Engineering Ltd.
After joining the Institute of Directors to learn the important aspects of running a business, for professional development and to share best practice, he slowly became more involved with the IoD both regionally and nationally. He was appointed national Chairman in 2012 for a 3 year term. Ian has now completed the full professional development offering at the IoD qualifying as a Chartered Director in 2013.
Ian has always been passionate about promoting the development of a positive business climate. This has resulted in past appointments to the Board of Regional Development Agency, ONE North East, through to Chairing Business Link Tyne & Wear among others.

Peter Englisch

Lead Partner | Global family business competence centre, EY

Peter obtained his master degree at the University of Münster, qualification Diplom-Kaufmann. He worked as Accountant, Tax Advisor and US-CPA (Certified Public Accountant).
Since 1992, he works for Ernst & Young, Global Family Business Leader, Strategic Growth Markets Leader for Germany, Austria and Switzerland, Assurance Partner.
From 2002 until 2010, Peter was Partner in charge of the Ruhr region offices of Ernst & Young GmbH. He also leads and coordinates activities for Family Business at Ernst & Yung Germany since 2004 and was appointed as Lead Partner for Strategic Growth Markets and Family Business in Germany, Switzerland and Austria in 2010. He was appointed as Global Leader for Family Business in 2011.
Peter is for many years author of various Ernst & Young publications regarding Family Business and Middle Market Companies, like the annual 'Mittelstandsbarometer' and surveys in cooperation with the Center of Family Business of the University of St. Gallen.
Alongside his extensive experience as a client serving Partner in the area of assurance and advisory business services for both, international and national companies, Peter supports SMEs and family-owned businesses in matters of succession and growth strategies and invented the Ernst & Young Junior Academy, a global program for young successors in family business.

Valentine Fievet

Vice-president of the Supervisory board of Unibel
Unibel S.A. holding of the Bel Group

Valentine Fievet is Vice President of the Supervisory board of Unibel S.A. (Fromageries Bel's main holding company), being a family board member since 1999.
As member of the fifth generation of the company's owning family, she represents also the Family as President of the Family Council since 2013, as board member of the Bel Foundation since 2008 and as board member of a family holding company. A Member of FBN France (Family Business Network) since 2006, she integrated the board in 2012.
Bel is a French family-controlled group that makes innovative products from traditional cheese. It operates internationally in over 120 countries, which positions the group as 3rd in the brand cheese sector. Bel has a strong portfolio of local and global brands including The Laughing Cow ®, Mini Babybel®, Kiri®, Leerdammer® and Boursin®. Today Brel has 10.600 employees globally; generated

€2.6 billion consolidated sales in 2012, up 4.8% over the previous year. The business model shows resilience in the current difficult economic environment. In France, it holds 6 production units: Pacy sur Eure, Cléry, Sablé, Dole, Evron, Mayenne, with a total of 3543 employees (headquarter + manufactures, the 31st of December 2013). In the European Union, Brel has production sites located in Belgium, Czech Republic, France, the Netherlands, Poland, Portugal, Slovakia, and Spain, that means approximately 6000 people for the EU zone. At this time, the production throughout our French manufactures is exported for one half.

Lars-Erik Forsgårdh

Chairman, Swedish Academy of Board Directors

Lars-Erik Forsgårdh (LEF) is a member of the board of ecoDa since 2012 and chairman of the Swedish Academy of Board Directors since 2008. The Academy has 5.700 members and is the leading actor in board education in Sweden. Since 2007 LEF is also the chairman of The Swedish Society for Share Promotion, an organization that annually informs 20.000 students how to handle their private economy.

Lars-Erik Forsgårdh has a doctor´s degree in Business Administration, Finance and Accounting from The Stockholm School of Economics, where he worked as a teacher and researcher between 1969 and 1979. In 1979 LEF and his four sisters and brothers inherited the family´s business, Hotel Skogshöjd, a 230 room property situated in the city of Södertälje. LEF was CEO between 1979 and 1984 and chairman between 1979 and 2007 when the family´s business was sold together with another hotel acquired in 1994.

In 1984 Lars-Erik Forsgårdh was appointed CEO of The Swedish Shareholders´Association. He is the cofounder of Euroshareholders and in 1993 the Association presented the first corporate governance code in Sweden. LEF retired in 2006. With more than 100.000 individual members the Association became a very influential player in the Swedish stock market.

Lars-Erik Forsgårdh was a member of The Swedish Corporate Governance Board from the introduction of the Swedish Code in 2005 until 2012. LEF has an extensive experience of chairing boards of different types of companies and organizations as well as being a member of boards in both listed and non-listed companies.

Philippe Haspeslagh

Chairman/Director at several family businesses
Dean of Vlerick Business School and Director of GUBERNA

Professor Philippe Haspeslagh is Dean of Vlerick Leuven Gent Management School since 2008. Until then he was the Paul Desmarais Chaired Professor of Active Ownership at INSEAD and founding director of its International Directors Forum as well as its Strategic Issues in Merger and Acquisition programmes. He holds a doctoral and an MBA degree from Harvard Business School, where he was a Baker Scholar, as well as a Commercial Engineer degree from KU Leuven, and a Masters in General Management from Vlerick Management School.

He has held various Directorships and Chairmanships in listed companies, large family businesses, private equity and asset management, including currently Governance for Owners Ltd, Vandemoortele

NV, Quest for Growth NV, Procuritas AB, Capricorn Venture Partners, and Dujardin Foods. In the non-profit sphere he is a Board member of Guberna, Vlerick Leuven Gent Management School, EABIS, and the Kofi Annan Business School Foundation.

Antoine Mayaud

Responsible of the Affectio Societatis
Family Association Mulliez

Graduated from the Institut National Agronomique, Paris- Grignon, he worked 12 years in agricultural development (Marroco, Burkina Faso, France) and 13 years for Danone as Manager of the development of the industrial organization (France, Italy, Headquarter France). From 1994 to 2010, he was a Member of the Family Board. Since 1995, he has been in charge of the "Affectio Societatis" which aims at bonding family business members together and at strengthening the success of the businesses over generations by preparing the next generations for future leadership roles within the family-owned businesses.

Ward Möhlmann

DG Enterprise, European Commission

Ward Möhlmann works in the Directorate-General Internal market and services of the European Commission in Brussels where he is in charge of a number of files in the area of corporate governance and company law. Amongst them is the Action Plan on Corporate governance and company law.

Dominique Moorkens

Chairman of the Board, ALCOPA

He is the Chairman of the Board Alcopa, Chairman of the Board of Connect Group, Chairman of the Board of Texaf, Member of the Board of Carmeuse , Chairman of Pulse Foundation, Chairman of the board of Mekong Plus (ONG), Member of the board of Belgian Governance Institute (Guberna), Chairman of the Board of FBNet Belgium (Family Business Network), Consul of the Republic of Korea.

In the 1980's, he was first involved in the establishment of Alcopa, the holding Company of the group and then became the Managing Director of Alcopa Group. Since 1997, he is CEO of Alcopa Group and is the President of the Board Alcopa from 2010. From 1970 to 1975, he worked in the leadership of the BMW- and Mitsubishi-dealership in Antwerp for 5 years and then 4 years for introduction of the

Mitsubishi-products in Belgium. He was the Managing Director of all Moorkens dealerships (Mitsubishi) from ’75-’79. From ‘78 to ’80, he was the founder of Korean Motor Company, first importer and distributor of Hyundai passenger-cars in Belgium and Luxemburg.

Annapaola Negri-Clementi

Member of Nedcommunity and founding partner of Negri-Clementi Law Firm

Annapaola Negri-Clementi held the Bar examination in 1998 at the Court of Appeal in Milan. She took the Master of Laws from the University of Milan in 1995, magna cum laude, with thesis in Institutions of Private Law on "Unfair terms in consumer contracts: new perspectives on consumer protection’’.
In 2011 she became founding partner of the Negri-Clementi Law Firm. Until 2011 she was equity partner of NCTM Law Firm. Since its constitution, she is member of Nedcommunity (the first Italian based association aiming at enhancing, supporting and developing the role of non-executive members of board of directors and supervisory boards).
She is specialized in corporate and commercial law (mergers, acquisitions and corporate restructuring; corporate governance structure and organization). She gave assistance in generational succession in family businesses and in Small Medium Businesses.
She is actually Independent Board Member of the Board of Directors of BNP Paribas REIM SGR p.A. and Member of the Board of Directors of Aedes S.p.A., a real estate company quoted on the Italian Stock Exchange.
She is lecturer at various conferences and author of various publications on Corporate Governance, also in collaboration with Borsa Italiana S.p.A. and Consob.

Viviane Neiter

Advisor and Replacement teacher in Corporate Governance and family transmission of ownership / Board member of three listed family companies

Graduated from Neoma Business School, Campus of Reims (Champagne, FranViviane NEITER <neiter.consulting@wanadoo.fr>ce), in 1980, she managed a family luxury commercial company for 23 years. During that period, she was member of different investment clubs. She was also member then vice-president and at least co president of APAI, an Individual Shareholders’ group. In 2003, she created her own consultancy firm, specializing in corporate governance, shareholder and public relationship. In the same year, she decided to serve as a teacher in corporate governance and transmit her knowledge in several French Business Schools and Universities. At the same time, she was asked, as an independent director, to take up a seat on a first Board of a family listed company, specializing in building engineering where she brought her training and her past experience with new eyes. Then she joined a second Board of Directors of a family business listed company, too and a third one. She has been rapidly passionate about Family Business issues. After attending a very interesting conference in Canada, she joined Canadian Society of Corporate

Secretaries 2 years ago and she has been a guest lecturer at a number of conferences and leading Business Schools.
The University of Mons, Belgium, published a book about institutional investors in which she wrote a chapter to tell the impact of institutional investors on Boards. She is a member of Inspiring Wo-men Business Club in the Grande Région and a member of several Family Business groups (IFERA, FERC).
Recently, in January, 2014, she was serving as a judge in a well-known competition the annual Family Enterprise Case Competition (FECC) held in Burlington, Vermont. It prepares participants to understand the critical issues that are unique to family enterprise by applying the knowledge and expertise they have developed in the classroom towards solving complex family business cases.
She is Chevalier de la Légion d'Honneur. Federation of Investors, she gained a good understanding of investors' needs and concerns.

Baroness Lutgart Van den Berghe

Chair of ecoDa's Policy Committee, Executive Director of the Belgian Governance Institute GUBERNA and Extra-Ordinary Professor at the University of Ghent

Prof. dr. Lutgart Van den Berghe is Executive Director of GUBERNA (Belgian Governance Institute) and Extra-Ordinary Professor in Corporate Governance at the University of Ghent (B). She is a Partner of the Vlerick Business School. In the school, she served for many years as Chairman of the Competence Center "Entrepreneurship, Governance and Strategy".
She has an extensive governance experience gained as Member of the Belgian Commission for Corporate Governance and Non-Executive Director in several companies, such as ELECTRABEL (B), BELGACOM (B) and Belfius (B). At EcoDA (European Confederation of Directors' Association), she is a Member of the Board and chairwoman of its policy committee.
Formerly she served as a non-executive director of the ING Group (NL, 1991-2003), KLM (NL, 2001 - 2004), Solvay (NL, 2003-2007), CSM (NL, 1998 - 2010), SHV (NL, 1997-2013), Capco NV (B, 2000 – 2003), DVV (B, 1995 - 1997), member of the Audit Committee of the Flemish Government (B, 2000 – 2004) and Chairman of the Proximus Foundation (until 2005). She was also a Member of the Advisory Board of Lazard (Benelux, 2007 – 2010)
Lutgart Van den Berghe is doctor in Business Economics of the University of Gent (B).

Prof dr Fred van Eenennaam

Expert in Strategy and Governance

Prof Dr Fred van Eenennaam has a broad experience as a strategy consultant and investor/board member across different industry sectors in Europe and USA. Building and delivering in-company strategic change, transformation, leadership development programs and high-end executive and MBA programs is one of his passions. He works in close cooperation with renowned faculty of IESE Barcelona, Harvard Business School, The Decision Institute, Erasmus University, George Washington University and the network he co-chairs based on Prof Porters Competitiveness Network of 100 universities around the world.
Professor Porter has bestowed the honors of Fred becoming a member of the Harvard Hall of Fame in 2012.
Fred has founded the Nyenrode Strategy Center in 2001 (until 2010), as part of Nyenrode Business Universiteit.

Fred set up and chaired the Corporate Governance Network from 2002 until 2010. He pioneered and created a.o. the leading and successful high- end executive programs:
-NCD Nyenrode Commissarissencyclus aimed at Dutch supervisory board members
-New Board Program aimed at current and future board members of listed companies
-The Strategic Leadership Program aimed at CEOs to create a company and personal agenda to navigate the company to the next level.
-Making Boards more effective. What non Americans should know about the USA corporate Governance with Professor Jay Lorsch of Harvard Business School?
Fred is currently the director of the following in-company Programs and Executive Education, on the topic of Strategy & Governance:
-Maximize Your Board's Potential, Harvard Faculty, IESE and Intrabond Capital
-New CFO Program, Erasmus University, ESAA
-Brein in de Boardroom, Erasmus University, ESAA
-Boardroom Dynamiek & Boardroom Evaluaties, Erasmus University, ESAA
-Strategy & Governance Excellence Series, The Decision Institute
-In-company change, transformation and leadership programs
-Micro Economics of Competitiveness Courses and Programs, a.o. Nyenrode and Affiliated Universities
-Advanced Corporate Strategy Course, CEMS, StGallen
Fred is currently the director of the following in-company Programs and Executive Education, on the topic of Health:
-Clinical Management Workshop Series, The Decision Institute
-Masterclasses Value Based Healthcare, The Decision Institute
-Introduction in Health Management and Leadership, George Washington University

Fred has fulfilled various executive board positions, among others he has been a board member at Rondol Technology Ltd since 2010, and since 2012 he is a member of the Advisory Board for project 'Mapping European Transport Research and Innovation Competence (METRIC)', at the Schumpeter Center for Cluster, Entrepreneurship and Innovation, at the Goethe Universität.
As an inspirational speaker/lecturer he is asked frequently for business and academic audiences of diverse international academic, student and business groups or to chair these events. His teaching according to the *Harvard case method* teaching for MBAs, Exec MBAs, Executive and Non-Executive Boards, Strategy & Governance, Audit and Remuneration Committees, (Family) shareholders and Investors, CFOs, Controllers, Business Managers, Medical Specialist, Health Managers, Nurse Practitioners, Life sciences executives and medical officers are especially appreciated.

Pascal Viénot

Head of Mid-sized businesses Commission of IFA and co-founder of Associés en Gouvernance

Pascal Vienot is an Associate Professor at HEC Paris, in charge of Corporate Governance courses. He is the coordinator of the ETI Commission of the IFA (Institut Français des Administrateurs), dealing with the governance specificities of mid-sized and family businesses. He is a member of the Scientific Board of the french chapter of the Family Business Network FBN.
Pascal Vienot is the co-founder of Associés en Gouvernance, a consulting firm dedicated to governance matters, where he specialized in advising family businesses. He sits on the Board of Directors of large family firms, such as Bel-Unibel, FM Logistic and Necotrans.

Before developing an interest for governance, Pascal Vienot was CFO of several large financial and insurance groups, then CEO of an investment fund assisting mid-sized and family firms in their international development.
He has published several articles and books on the topic of family and family-businesses governance, including “la gouvernance des entreprises familiales”.
Pascal Vienot is a graduate of HEC in France, and holds an MBA degree from Columbia University in New York.

Patrick Zurstrassen

Chairman of ecoDA

Belgian citizen and Luxembourg resident, Patrick Zurstrassen has worked more than 25 years for “Credit Agricole Indosuez” Group in Belgium, France and Luxembourg. He currently acts as an independent director on the boards and board committees of several companies, listed or non-listed, mainly in the financial sector. His funds mandates belong to groups such as La Baloise, Barclays, Goldman Sachs, Le Foyer, Jupiter, Lombard Odier, Natixis, Pioneer [UniCredit group] and European Credit Management [Wells Fargo group].
He participates to the works of several fund management and investment professional bodies, including ALFI, the Association of Luxembourg Fund Industry and FEFSI-EFAMA, the European Fund and Asset Management Association that he both chaired. He has been founding chairman of ILA, the Institute of Luxembourg Directors. He is Chairman of the board of directors of ecoDa, the European Confederation of Directors’ Associations in Brussels. He sits on several advisory committees of the “Commission de Surveillance du Secteur Financier” in Luxembourg. He is a member of the Private Sector Advisory Group of the Global Corporate Governance Forum.
He is an affiliated member of the CFA Institute as well as a member of the Institut Français des Administrateurs, the International Corporate Governance Network, the European Corporate Governance Institute and the National Association of Corporate Directors [USA].
Graduated as civil engineer [U. Liège, Belgium], MSc [U.Leeds, UK] and MBA [UCLA, USA], Patrick Zurstrassen has lectured finance at the Université Catholique de Louvain in Belgium for 25 years.
He is certified director of ILA from the INSEAD International Directors Program.

APPENDIX 2: Final Report of the Expert Group November 2009 (Extracts)

http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/family-business/family_business_expert_group_report_en.pdf

EXECUTIVE SUMMARY

Family firms are important, not only because they make an essential contribution to the economy, but also because of the long-term stability they bring, the specific commitment they show to local communities, the responsibility they feel as owners and the values they stand for. These are precious factors against the backdrop of the current financial crisis.
Family businesses make up more than 60 % of all European companies, encompassing a vast range of firms of different sizes and from different sectors.
Most SMEs (especially micro and small enterprises) are family businesses and a large majority of family companies are SMEs.
It is essential to agree on an accepted definition of what is a family business to have a better view. There is general agreement on three essential elements: the family, the business, and ownership.

After having analysed existing definitions, the expert group proposes the following definition:
A firm, of any size, is a family business, if:
1) The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
2) The majority of decision-making rights are indirect or direct.
3) At least one representative of the family or kin is formally involved in the governance of the firm.
4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital**.**

The group recommends exploring opportunities to introduce this definition at national level. The European Commission should envisage using this definition where possible to help promote its use.
The notion of ownership is fundamental to family businesses. It is important to improve our knowledge of ownership and how it affects the business behaviour of family firms. Many of the challenges faced by family businesses also concern SMEs in general. However, some affect family firms more specifically, and others are exclusive to them. Some challenges stem from the environment in which companies operate, e.g. policy makers are unaware of the specificities of family businesses and their economic and social contribution; financial issues related to gift and inheritance tax, access to finance without losing control of the firm, favourable tax treatment of reinvested profits. Some are related to the family firm's internal matters e.g. unawareness of the importance of planning company transfers early; balancing the family, ownership and business aspects within the enterprise; difficulties in attracting and retaining a skilled workforce. Other issues regarding education and research impact on both the environment and internal matters, e.g. (lack of) entrepreneurship education and family-business-specific management training, and the need for more research into family-business-specific issues.

The institutional framework and policy initiatives regarding family businesses differ from country to country. Measures favouring family businesses are (or have been) implemented by different actors and tackle a range of problems, e.g. taxation, company law, planning the business transfer, awareness-raising through lobbying and policy advice, research and dissemination of information, promotion of entrepreneurship and family-business-specific education, and family governance. Exchanging the ‘good practices’ identified has great potential for development of the sector. The European Commission should continue to play a role in promoting the exchange of information. Family businesses already benefit from EU policies. The European Commission should continue mainstreaming family-business-relevant issues in all relevant schemes.

National governments should consider adopting measures to create a more favourable environment for family businesses, for example in areas of taxation, company law, and the educational system. The group also recommends setting up a specific family business contact point in national administrations. Family businesses themselves and especially organisations representing the family business sector (at national and international levels) should take an active role in all efforts to raise awareness of the importance of the sector. They should also promote the development of a family business institutional framework in countries in which it is less developed.

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