

Ecoda Conference – Brussels

# ***Unlisted Companies as Drivers of Economic Growth: The Role of Good Governance***

Pascal Vienot

Brussels, European Parliament - 24 March 2010

Comments on 2 principles out of the 14, those dealing with family owned companies

**Principle 7:** There should be a dialogue between the board and the shareholders based on mutual understanding of the objectives

Question: Who are the shareholders ?

Over 80% of the 5 000 mid sized companies in France (ETI) are family owned, and the percentage is approximately the same throughout Europe. This means that most of the Unlisted Companies addressed by ecoDa' initiatives are family owned companies.

As the human life expectation increases, and as most families have 2 or 3 children, we end up very often having more than 20 adults as soon as in generation 3. And we all know of industrial dynasties with tens, if not hundreds of family members, and as many potential shareholders.

This is not a European phenomenon specialty: I had to work intensively in Maghreb and central Africa over the last months, and I can testify that the same situation exists in all countries where economic development has started after WW2, namely transmission problems within families over 10 adult members.

The problem is complex enough in a founder-managed company, where the key top man needs to separate the rationale right side of his brain, from the qualitative

left part, that means to clearly identify the operational issues from those relating to assets and family management, and to coordinate both.

But, when you have that many shareholders in a family, and that many more potential, that would be a pure miracle if all of them shared the same value, and had the same views concerning key issues such as: money, power, authority, independence ....

**Principle 9:** family controlled companies should establish family governance mechanisms that promote coordination and mutual understanding amongst family members, as well as organise the relationships between family governance and corporate governance

My objective is neither to describe the best practices of Family Governance, nor to explain how to write a Family Governance Chart. It is an essential document that any family business should miss because organizes the relationships between an individual and a company, at personal, professional, financial, and behavioural level.

And the family business consultants know that it is much more complex to organize a Family Board than a Corporate Board, when you need to combine different branches, generations and increasingly different individual expectations.

My key message is the need to LISTEN to the family.

And I insist: LISTENING to all the family, and not only to the present family shareholders, for whom is the company the most important: the 70 years old shareholder, or his 20 years old grand son, which will inherit of the shares in only 30 years, but for whom the company may mean a job, if the family keeps it, or money enabling to start his own business, if the family sells it?

Only LISTENING enables to anticipate crisis, to clear the mines.

Which means to prepare for perennality, as the key question in family governance is always: what for, and with whom?