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Boyden Report Highlights Need for Independent Oversight of Family-Owned Businesses

Despite their significant economic and innovative influence, family businesses are often unprepared for the future

NEW YORK, February 14, 2018 – Many experts and executives say family-owned businesses often lack succession plans and sound governance, with too few independent directors in place for proper oversight, risking the companies' legacies in the next generation, according to a Special Report released today by Boyden.

The report explores the journey of family businesses and focuses on the following themes:

- Family businesses are significant contributors to national and global economies, fuelling innovation, employment and new job creation
- Few family businesses have adequate CEO and senior executive succession plans in place, leading to vulnerabilities in the transition from one generation to the next
- The importance of having enough independent directors to bring fresh experience and challenge family monopolies when doing so is critical for business growth and continuity

Boyden's Special Report, titled *The Role of Governance in Family Business Leadership Succession*, examines the leadership succession challenges unique to family businesses and the benefits associated with independent oversight, noting the steps and considerations involved in assembling a team of independent directors.

The report is supported by interviews with Boyden partners, top executives and expert consultants including Laurence Odfjell, Chairman, Odfjell SE; Daniel Hatzenbuehler, Former Chairman and CEO, E. Ritter & Company; and Rob Ferguson, President and Principal, CEO Advisor of Ferguson Interests. The report also discusses the work of James Hertlein and Thomas Zay, Managing Partners of Boyden United States, who specialize in placing independent directors for large family-owned concerns.

"Independent directors bring a deep level of business acumen, technical skills, and experience that family businesses might not otherwise be able to access," said Hatzenbuehler. Magdy El Zein, Managing Partner of Boyden Middle East & North Africa, added, "Independent directors are an important source of wisdom and guidance for a family business approaching leadership transition."

The report also outlines best practices for onboarding independent directors:

- The family must align around the notion of independent directors and understand that this change will not diminish its control over the company.
- The independent directors selected must meet the company's particular current and emerging needs.
- Independent directors should create a cohesive portfolio, with each complementing the others.
- Numbers and ratios of independent directors to internal board members must be carefully considered.

"The family is not relinquishing control to the independent directors but is rather learning to approach their company with a more objective understanding of themselves and their work," explained Dr. Charles Cowart of Cowart Consulting Group, a licensed psychologist specializing in organizational development, leadership development and assessment.

John Byrne, Managing Partner of Boyden Chile, advises that companies designate an odd number of independent directors to avoid handing the chairman the deciding vote in every split decision. "Of our seven board members, six are independent," noted Laurence Odfjell, Chairman of Odfjell SE. "These independent directors bring their other work and insights to our board, guiding management through issues in a professional and competent manner. This drives our management to run the company in an equally competent manner, thereby elevating the entire company."

About Boyden

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