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**EUROPEAN FAMILY OFFICE PRIVATE WEALTH 2010**

**PRESENTATION OF PIERO MARCHETTINI**

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**FAMILY GOVERNANCE & CORPORATE GOVERNANCE**

**OF FAMILY BUSINESS**

**GENEVA, JUNE 9, 2010**

**RESEARCH ON GOVERNANCE OF FAMILY BUSINESS**

At the request of an Italian holding company, which controls Costacurta S. p. A. – Vico, a 90-year-old family company, I have interviewed 12 experts of corporate governance, family business and private equity. These experts were academics, bankers, consultants, lawyers and former top managers . Half of them were located in Italy, and the second half in other European countries (Belgium, France and Switzerland ). During their career they have been extensively involved in family business as advisors, board members, consultants or private equity investors.

I met personally each of them, having sent in advance a questionnaire with the main topics to be discussed. In preparing this questionnaire I have also taken into account the *Code Buysse* ( the Belgian Code for non listed companies ). This Code is one of the few specifically designed for family owned companies.

The main focus of the research was on the value of the corporate governance for a family business, on the role and characteristics of the Independent Directors, on the characteristics of the managers in a family owned company and on the succession process.

The main conclusion of the research was that there is no such thing as a standard corporate governance applicable to every family business. The governance should be designed case by case taking into consideration the characteristics of the family and its values, the size and the financial situation of the company and its business, the specific need of the family and of its leader within the company.

## THE MAIN TOPICS ANALYSED IN THE RESEARCH

### 1) *Governance of the Family*

- Family's values
- Interaction of family, ownership and business
- The decision-making process
- Family representative(s) in the Family Business
- Family Holding/Foundation's Advisors
- **Key issues:** How do family and business dynamics differ? How to communicate in a family business? How can family holding/foundation improve communication, contribute to family members' education? How to differentiate between constructive and destructive conflicts? How to prevent conflict and how to be open about it if it arises?

### 2) *Value of Corporate Governance in the Family Business*

- Value in terms of image
- Economics of a Family Business
- Value in the relationship with banks and investors
- Value in the relationship with the management
- **Key issues:** Why the introduction of governance is a critical factor for the development of a family owned business? What is the difference between governance of the family and governance of the family business? To what extent a family business differs from a normal business in terms of values and objectives? Why is it important to identify the key priorities? How these priorities should fit in governance rules ? What are the key elements of governance?

### 3) *Role of Independent Board Members in the Family Business*

- Board of Directors vs Advisory Board
- Role of the Board of Directors
- Personal characteristics
- Concept of independence
- Compensation
- Level of involvement
- **Key issues:** How to choose the Independent Directors? What is the ideal profile of an Independent Director? What degree of involvement he/she should have? What is the ideal mix of family Board Members, Executive Directors and Independent Directors? What is the role of Independent Directors in the key strategic decisions such as acquisition, financing and choice of the new CEO?

### 4) *Characteristics of the Managers not Members of the Family*

- Personal characteristics
- Length and nature of the relationship
- Compensation & share ownership
- Financial & business objectives
- Powers & responsibilities
- **Key issues:** How to deal with management when it includes family and non-family members? How to ensure that non-family management is motivated and committed? How to develop non-family management? How to control effectively non-family management? How can non-family management and family management conflicts be prevented?

### 5) *The succession process in the Family Business*

- Role of Board Member vs Chairman vs CEO
- Personal characteristics of the future CEO
- Educational background of the future CEO
- Business experience of the future CEO
- Integration of the future CEO
- **Key issues:** How should be defined standards and rules for family members considering entering the company? How to select, develop and optimally place family talents while creating viable alternatives for the other family members? How to prepare the organization for the transition? How to let the designed CEO acquire progressively his/her future responsibilities?

#### THE FAMILY BUSINESS CHAIN

