

RUSSELL REYNOLDS ASSOCIATES

**SURVEY OF CORPORATE GOVERNANCE PRACTICES  
IN EUROPEAN FAMILY BUSINESSES**

*In the summer of 2014, Russell Reynolds Associates conducted a survey of 400 of Europe's largest family-controlled businesses.*

- In an attempt to understand the corporate governance practices in European family businesses, Russell Reynolds Associates launched a survey in the summer of 2014 and distributed it to 400 of the largest family-controlled businesses in Germany, France, Italy and Spain.
- We received responses from 106 companies.
- We polled survey recipients on board composition, board efficiency, CEO succession planning and the CEO/Chairman backgrounds.
- This document represents a reporting of the survey findings.



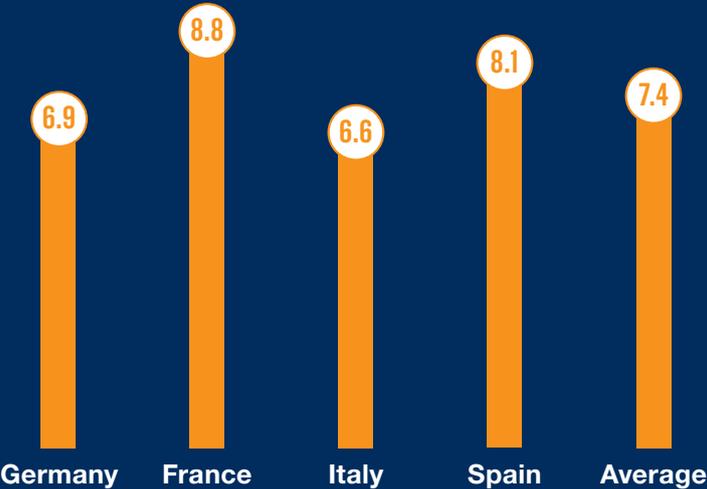
École de la communication



# *Board Composition*

*1. How many members are on your Board?*

Number of Board Members



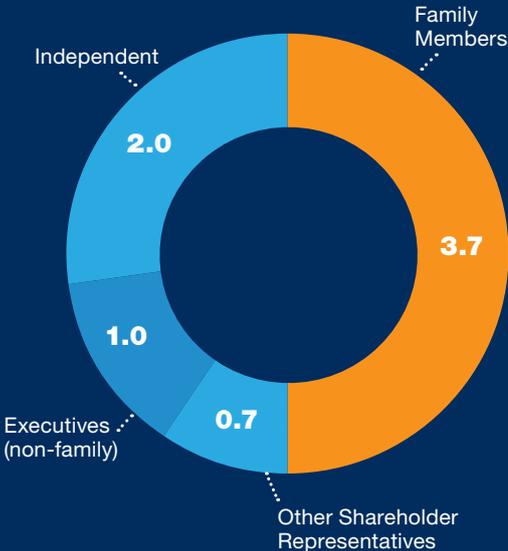
European family-controlled Boards have, on average, 7.4 Board members.

2. Please indicate the number of Board members in each category

**Board Composition**

	Germany	France	Italy	Spain
Family members representing ownership	1.7	4.5	3.7	5.0
Other shareholder representatives	0.5	0.5	0.6	1.0
Executives (non-family members)	1.2	1.0	1.0	0.7
Independent	3.5	2.8	1.3	1.4
<b>Total</b>	<b>6.9</b>	<b>8.8</b>	<b>6.6</b>	<b>8.1</b>

**Average Board Composition**



Boards are comprised, on average, of 50% family members.

There are only 27% independent directors, on average.

*German boards are at the high end with 51% independent directors, while Spain has only 17% independent directors.*

### 3. What is your Board’s level of diversity?

#### Board Composition

	Germany	France	Italy	Spain
Female	10%	25%	15%	17%
Foreign	11%	0%	4%	8%
Other Industries	46%	23%	26%	37%

#### Average Board Diversity



Gender diversity varies widely on European family-controlled Boards, ranging from 10% in Germany to 25% in France. There are only 27% independent directors, on average.

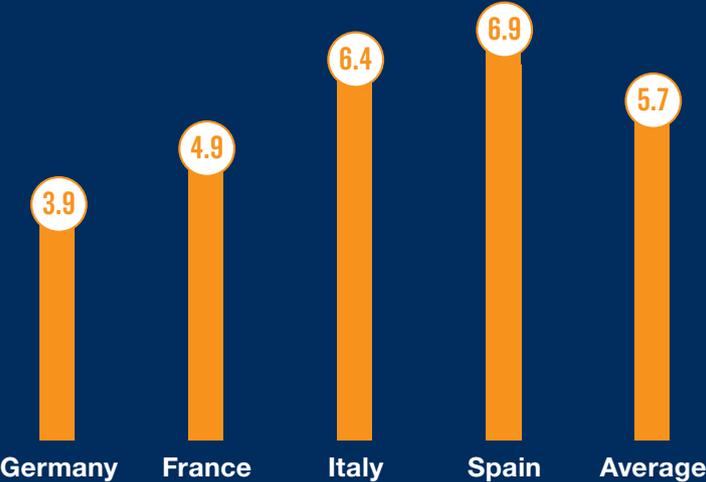
At 8%, there is relatively little representation from foreign directors.

On average, 34% of directors come from other industries.

# *Board Efficiency*

4. *How many times a year does the Board meet?*

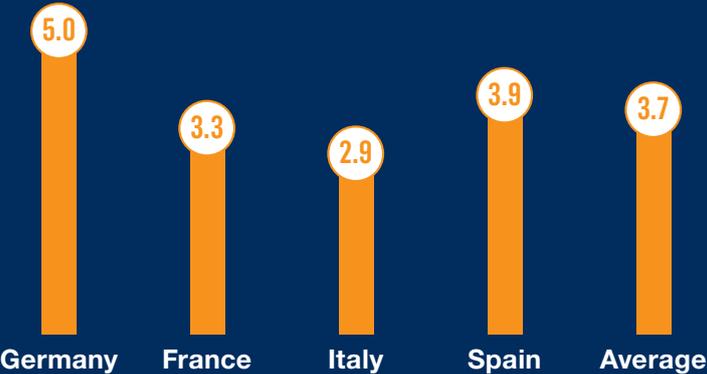
Number of Annual Board Meetings



European family-controlled companies have an average of 5.7 Board meetings a year. German companies are on the low end with 3.9 meetings, while Spanish companies have 6.9 meetings.

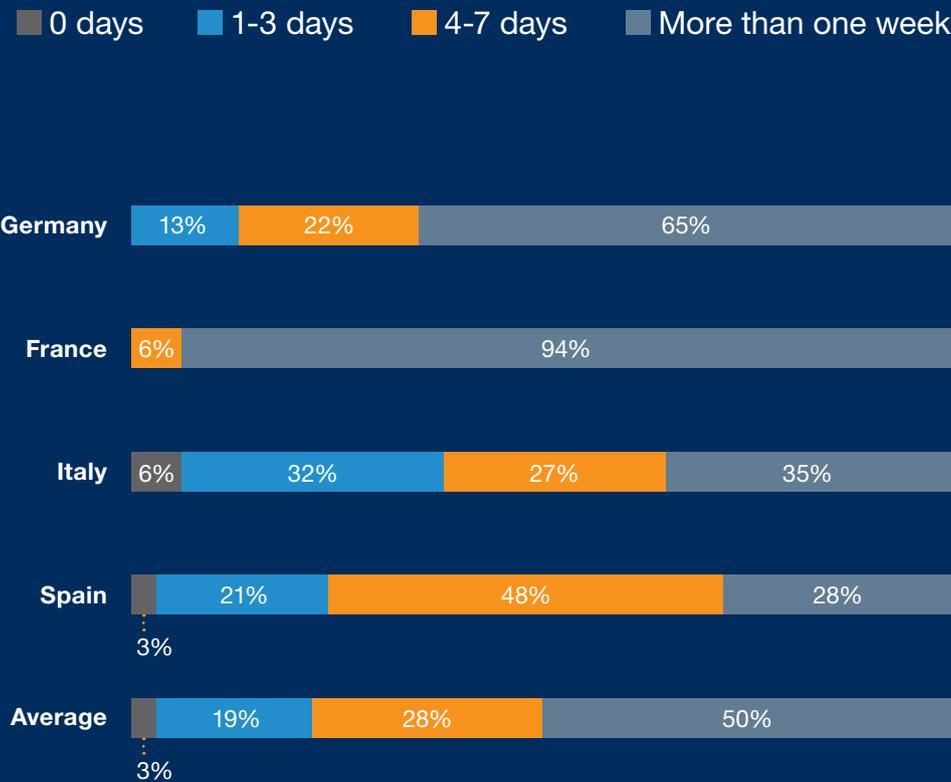
5. *How long does each meeting last on average?*

Length of Meetings (hrs)



Board meetings last, on average, 3.7 hours each.

6. *How far in advance do Board members receive the meeting information?*



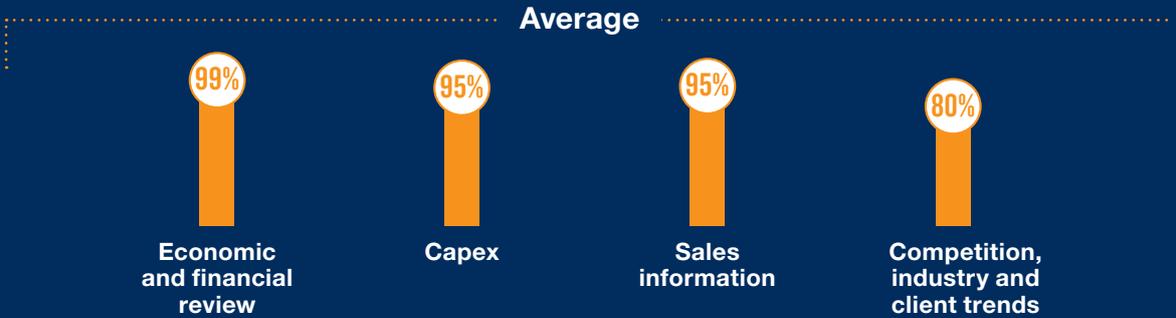
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50% of Boards have more than a week to prepare for meetings, while 22% have less than 3 days.

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# 7. Agenda content

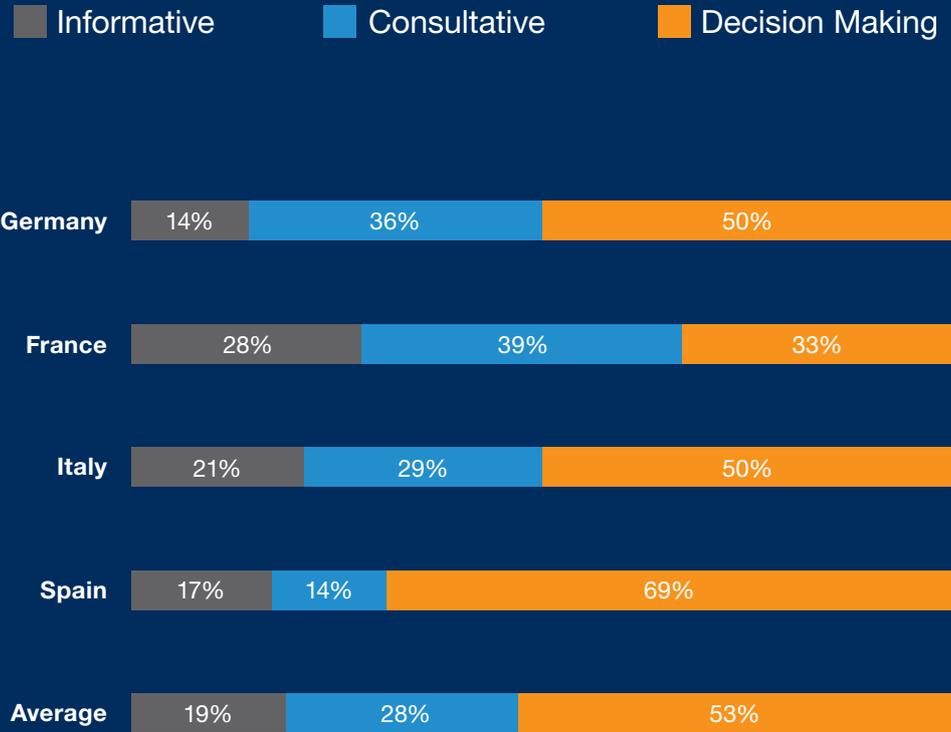
	Germany	France	Italy	Spain
Economic and financial review	100%	100%	97%	100%
Capex	86%	100%	97%	96%
Sales information	95%	94%	97%	93%
Competition, industry and client trends	95%	83%	76%	72%



The vast majority of Boards cover economic and financial review, capex and sales information as part of their meeting agendas.

Only 80% of Boards review competitive, industry and client trends.

8. Choose the adjective that best describes your Board

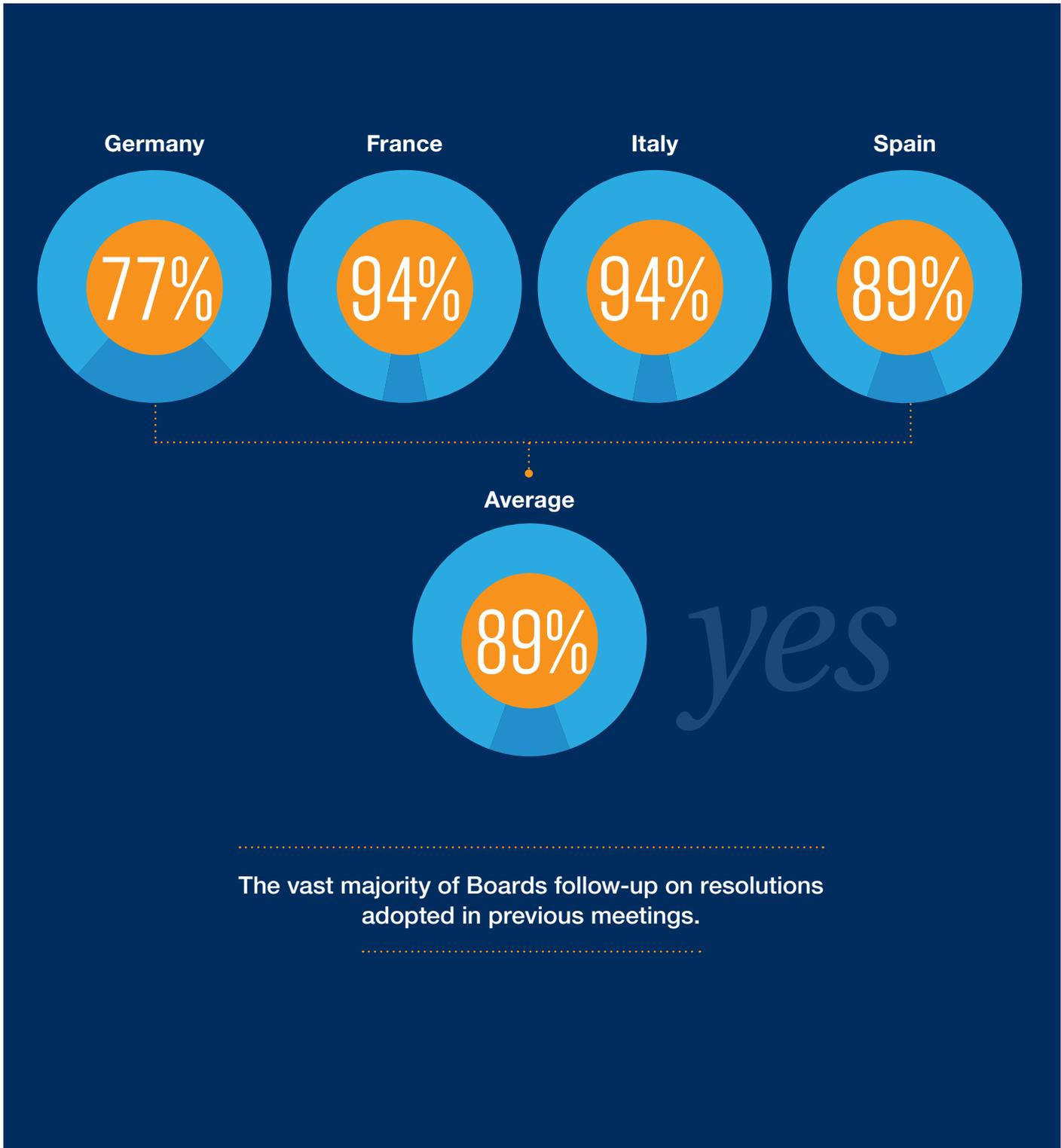


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More than half of European family-controlled Boards feel that they play a “decision making” role for their companies.

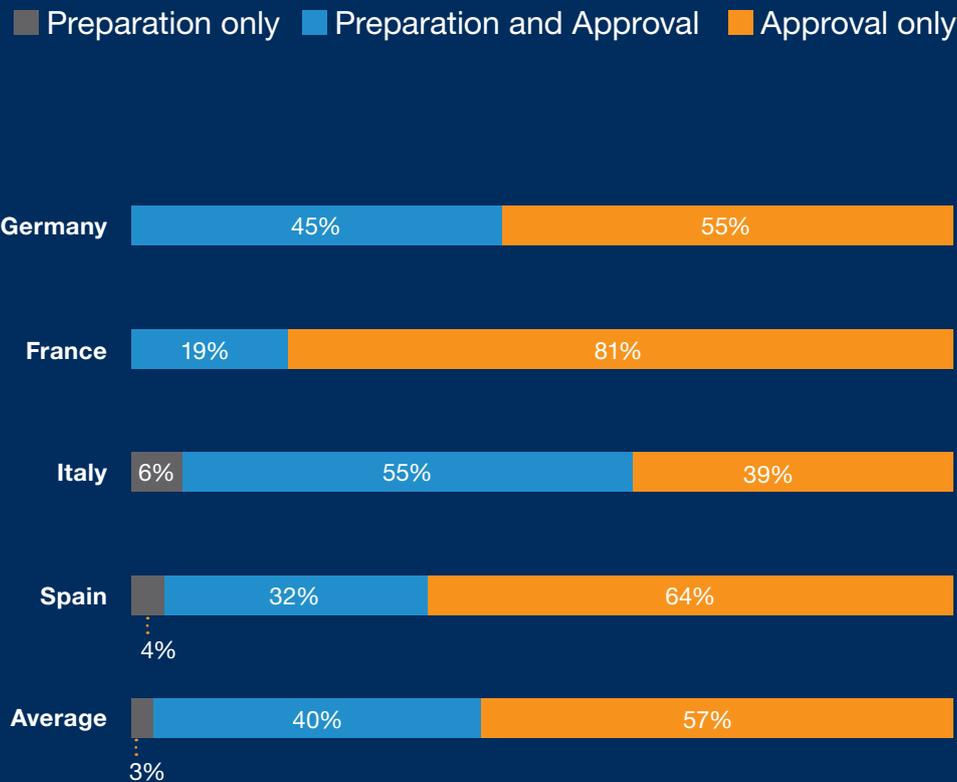
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9. *Is there follow-up of the resolutions adopted in the previous Board meeting?*



The vast majority of Boards follow-up on resolutions adopted in previous meetings.

10. Does the Board take part in developing the strategic plan?



59% of European family-controlled Boards feel that they approve the strategic plan. 40% feel that they also play a role in preparing the plan.

11. *What committees do you have?*

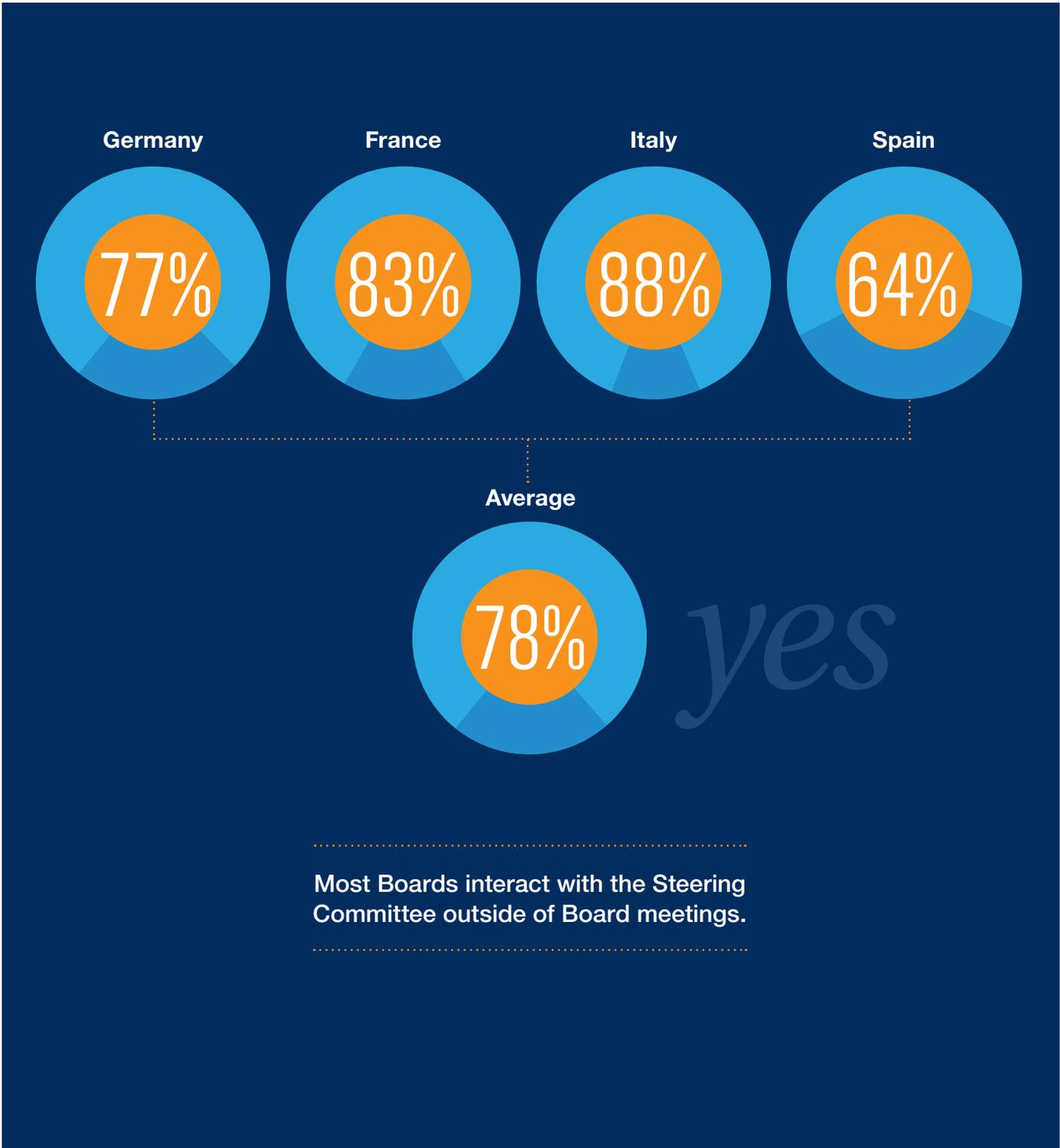


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On average, less than half of family-controlled Boards have Audit and Risk and Nominating/Remuneration committees.

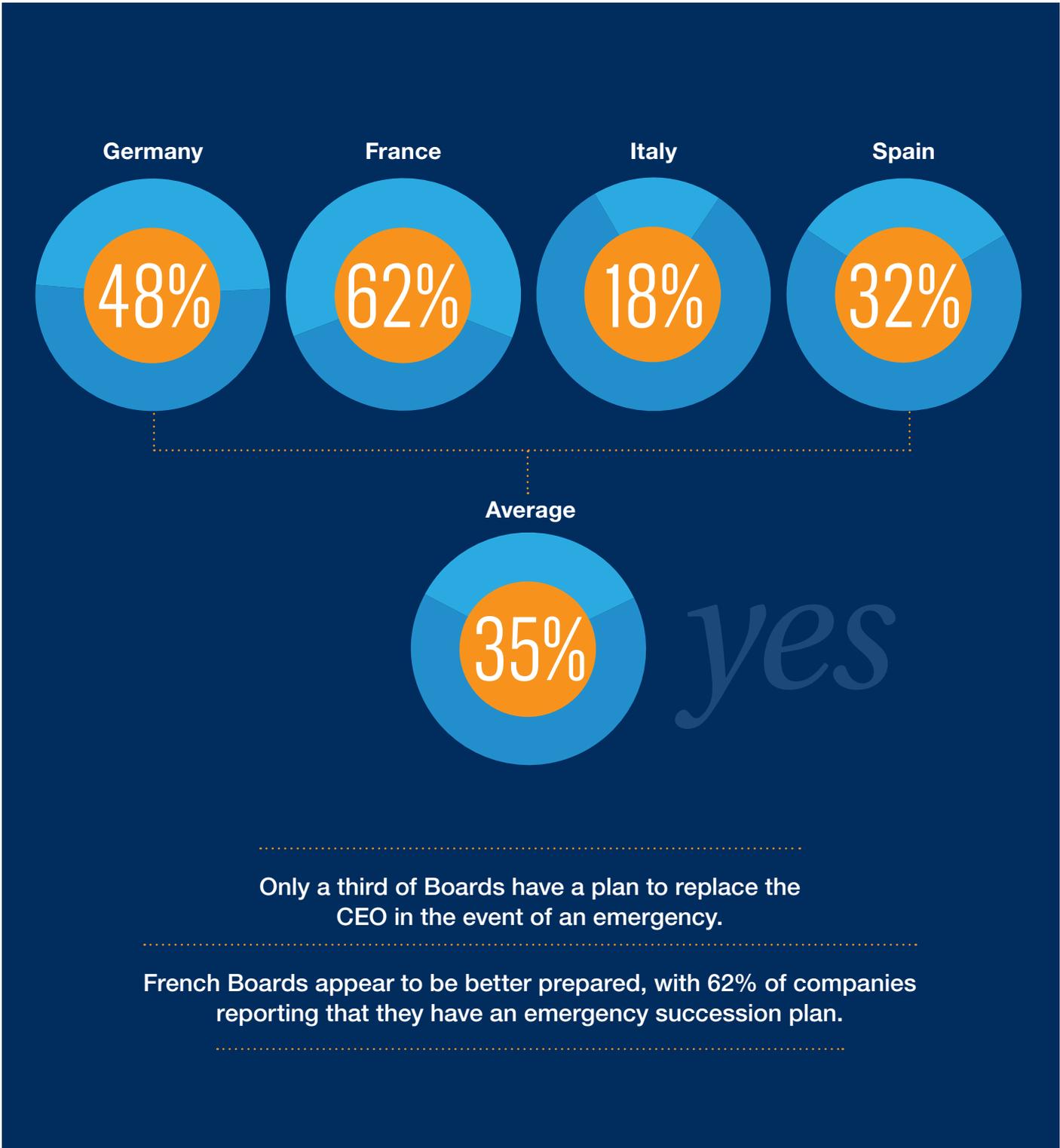
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*12. Is there a relationship between the Board and the Steering Committee other than at Board meetings?*



# *CEO Succession*

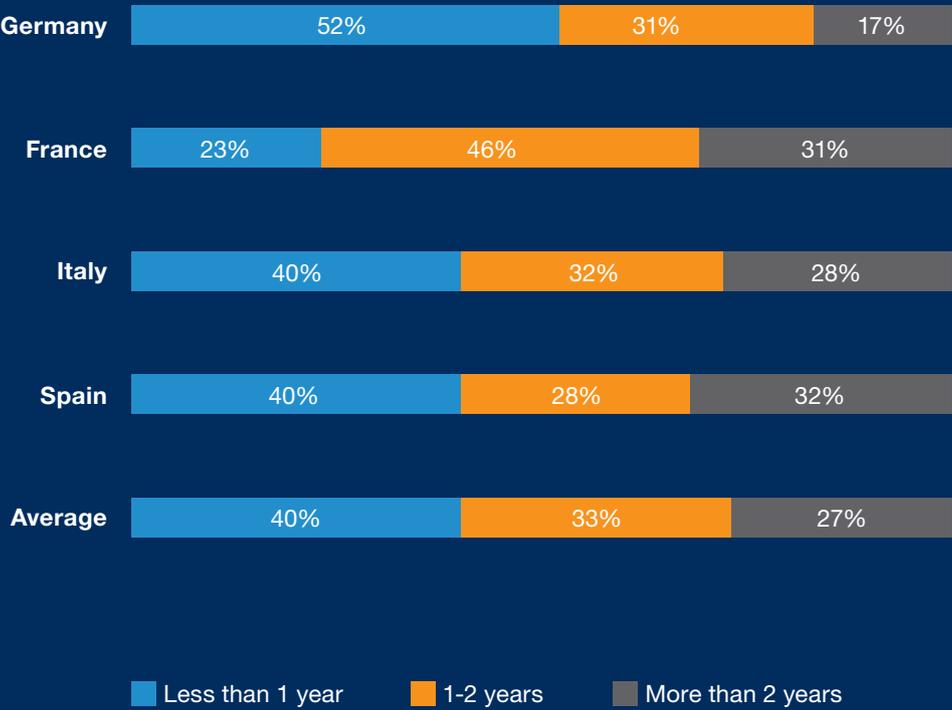
13. Does an emergency CEO succession plan exist?



Only a third of Boards have a plan to replace the CEO in the event of an emergency.

French Boards appear to be better prepared, with 62% of companies reporting that they have an emergency succession plan.

# 14. What is the ideal period for CEO succession planning?

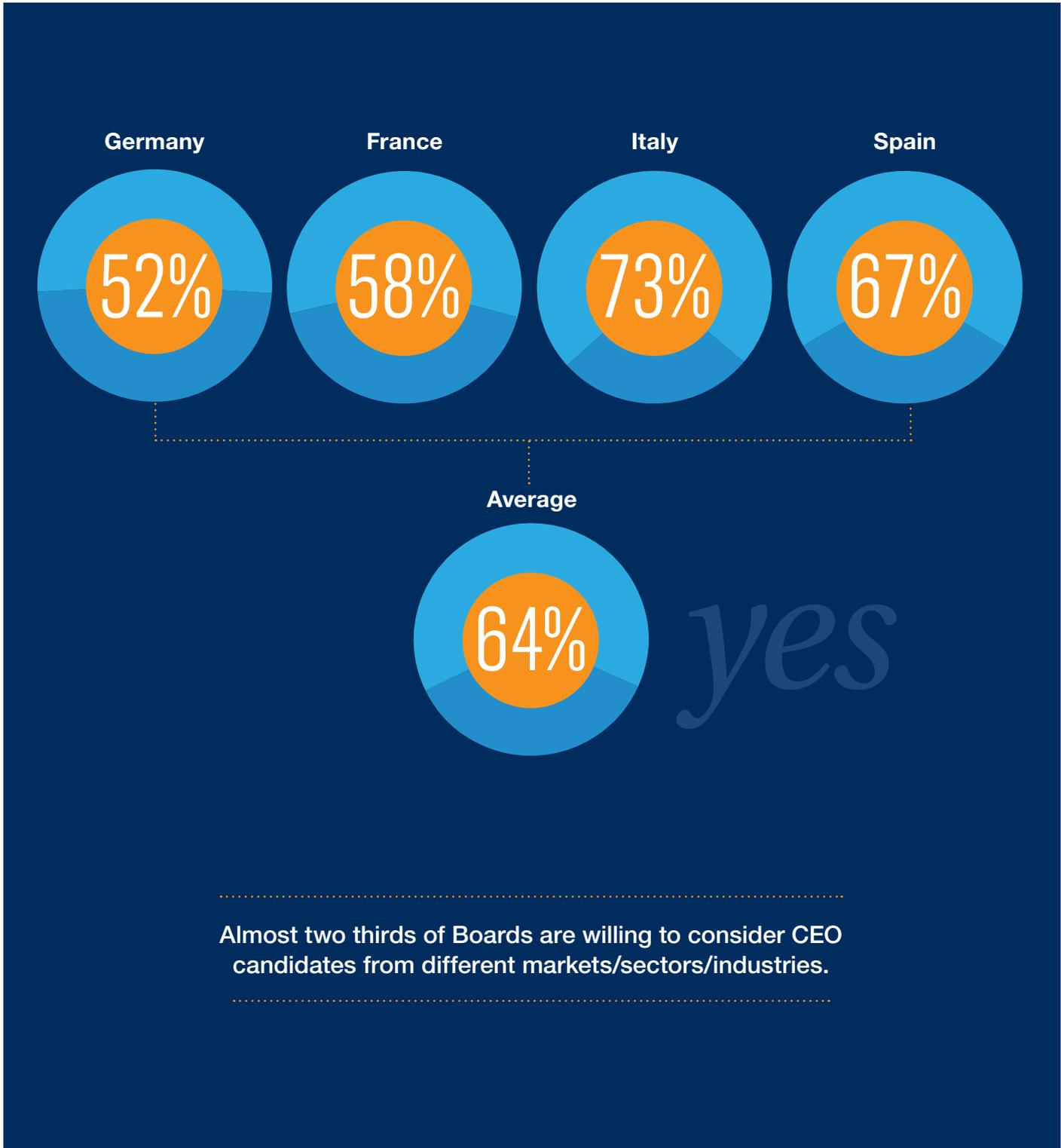


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There is little consensus on the ideal period for CEO succession planning.

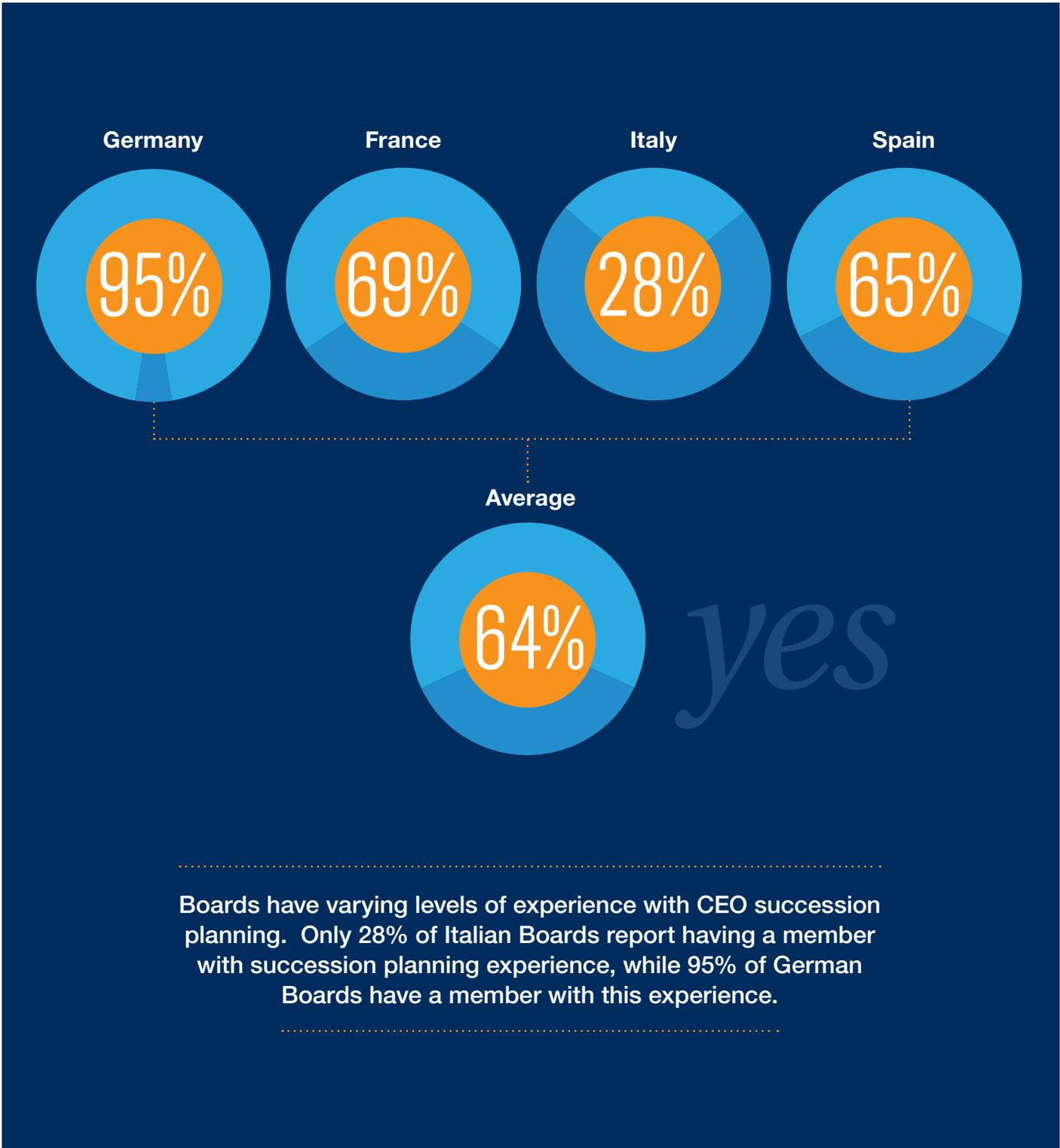
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*15. Would you consider external candidates from different markets/sectors/industries?*



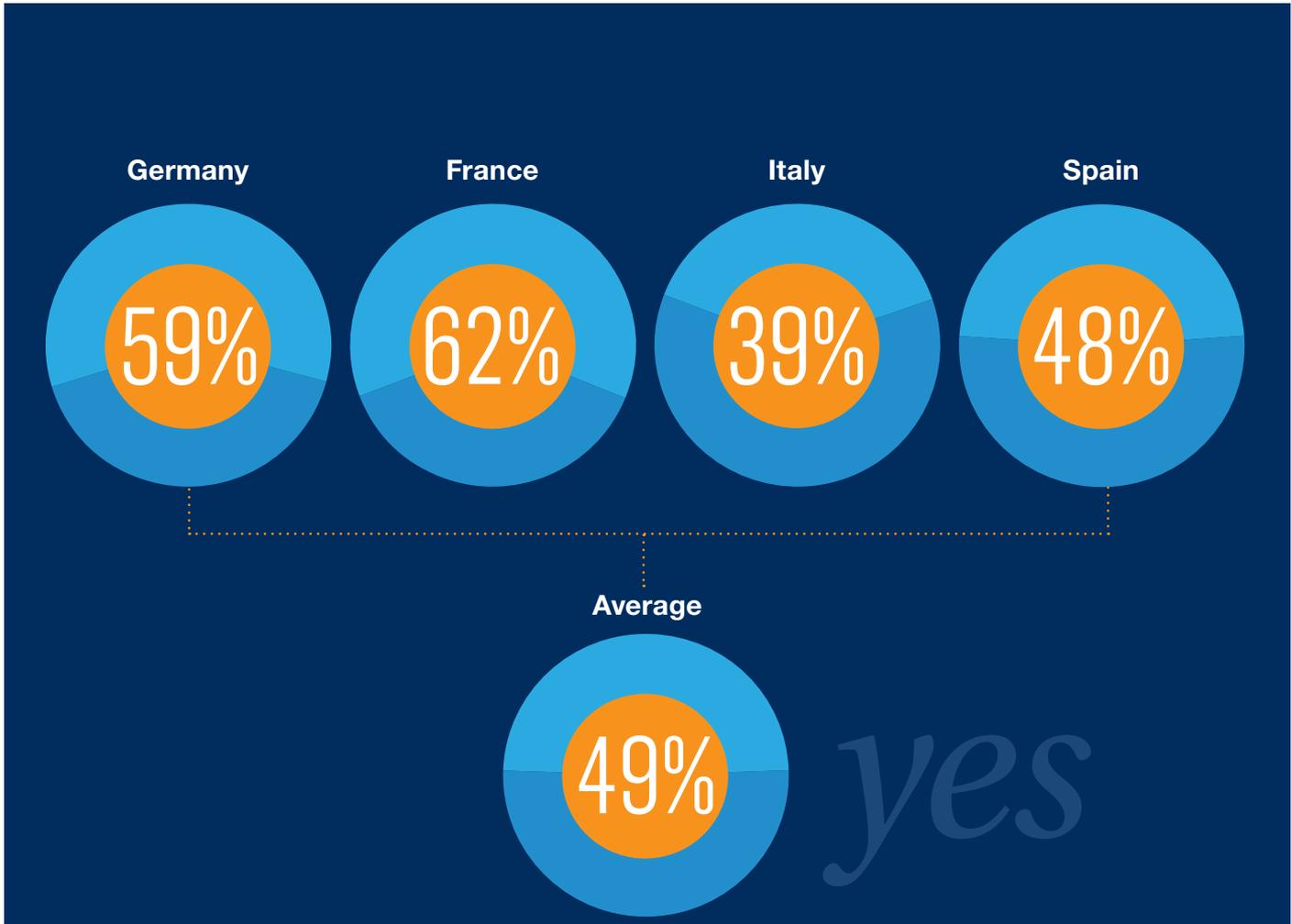
Almost two thirds of Boards are willing to consider CEO candidates from different markets/sectors/industries.

*16. Are one or more Board members experienced in succession planning?*



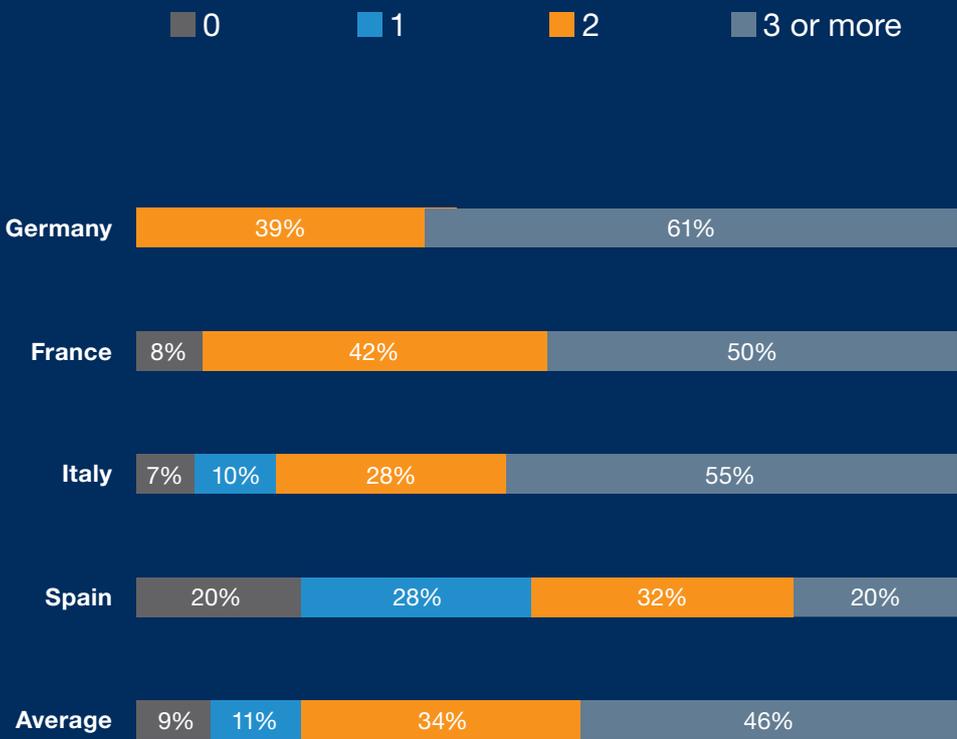
Boards have varying levels of experience with CEO succession planning. Only 28% of Italian Boards report having a member with succession planning experience, while 95% of German Boards have a member with this experience.

*17. Have internal candidates been identified for the succession plan?*



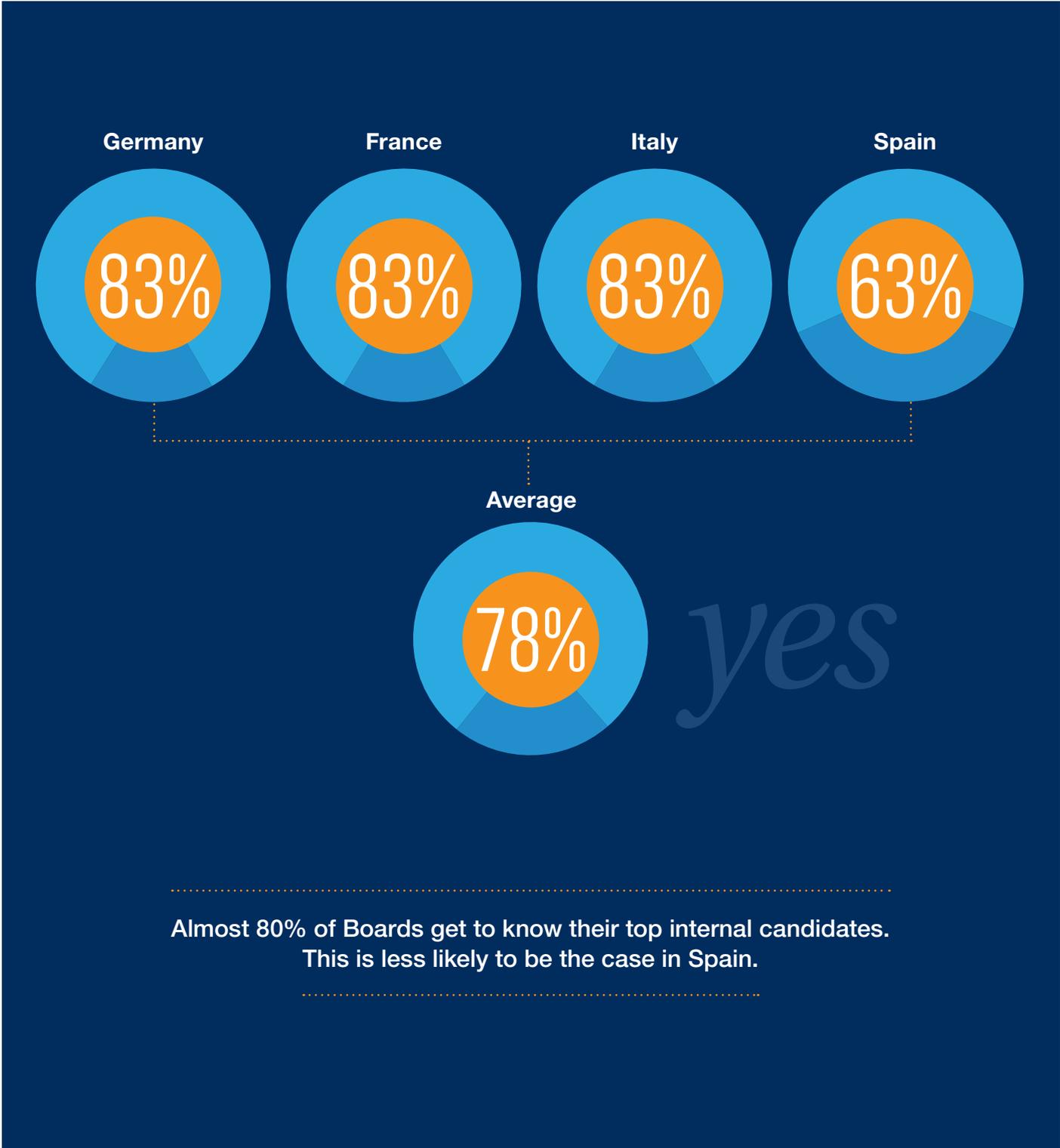
Boards have identified internal candidates for the CEO role to varying degrees. In Italy, only 39% of Boards report that they have identified internal candidates, while in France, 62% have done so.

18. *How many internal/external candidates do you ideally evaluate?*



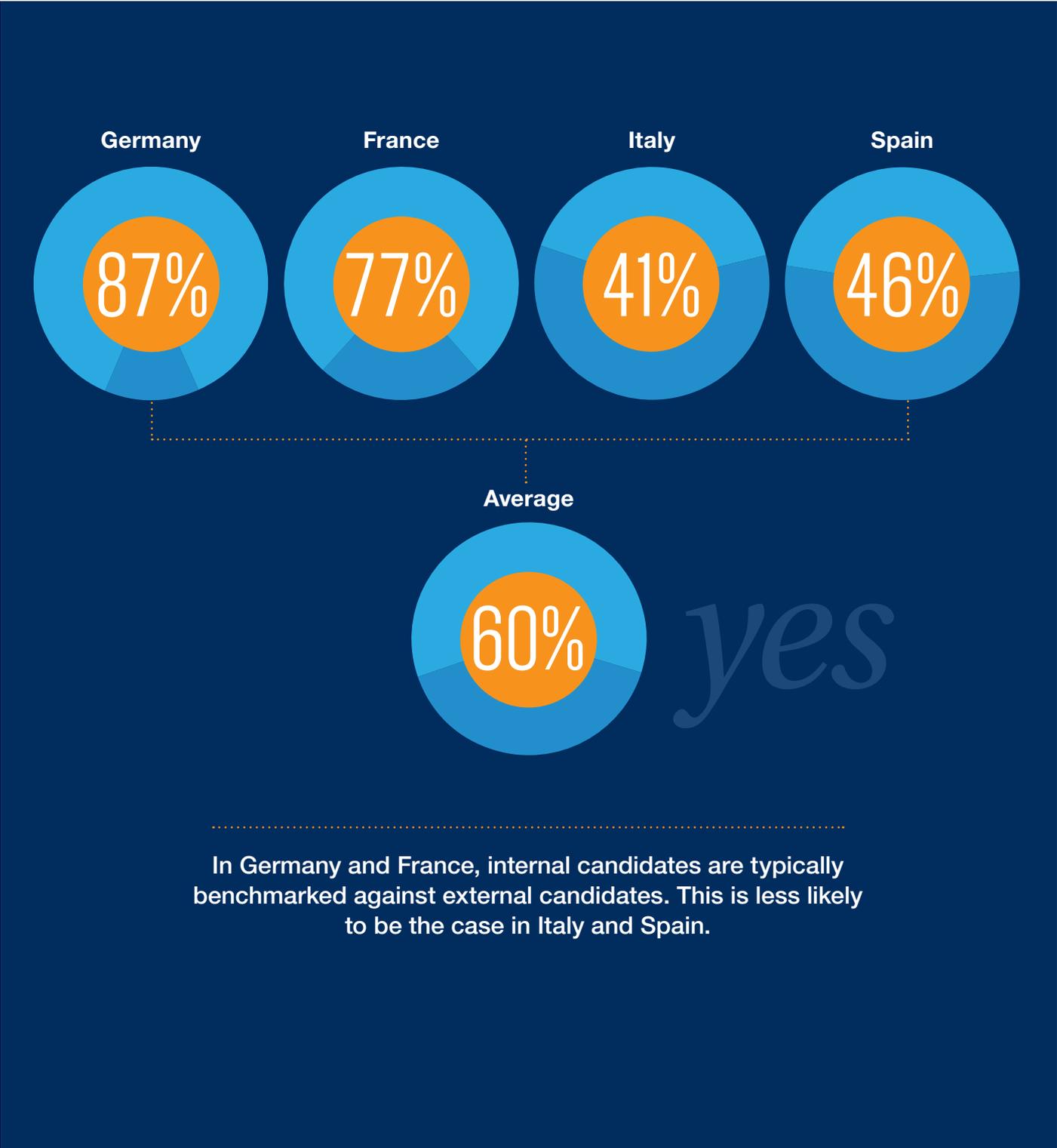
Nearly half of family-controlled Boards evaluate 3 or more candidates for the CEO role. This number ranges from 20% in Spain to 61% in Germany.

*19. Does the Board get to know the top internal candidates?*



Almost 80% of Boards get to know their top internal candidates.  
This is less likely to be the case in Spain.

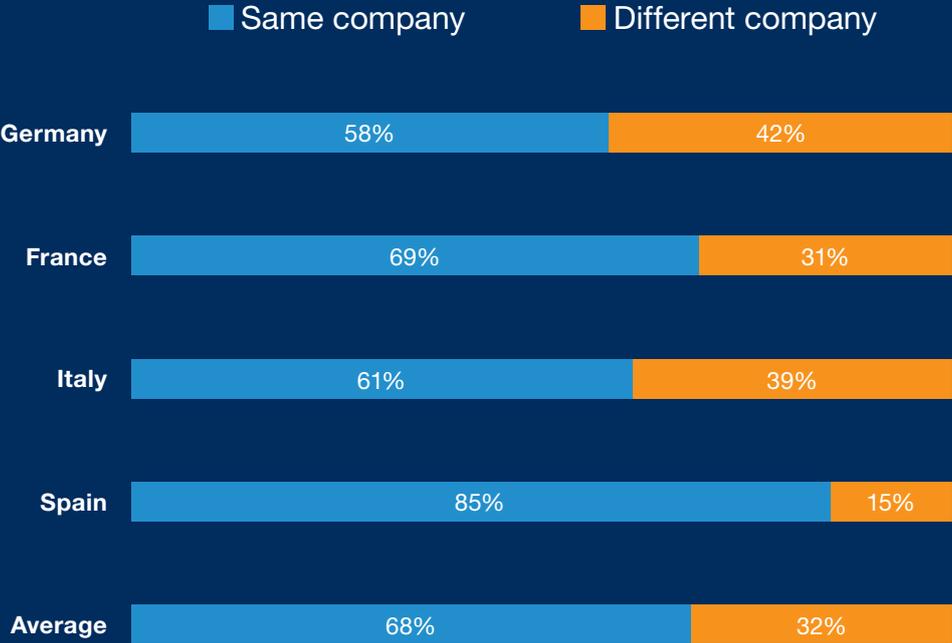
*20. Are internal candidates benchmarked against external candidates in the market?*



In Germany and France, internal candidates are typically benchmarked against external candidates. This is less likely to be the case in Italy and Spain.

# *CEO and Chairman Background*

21. CEO's background

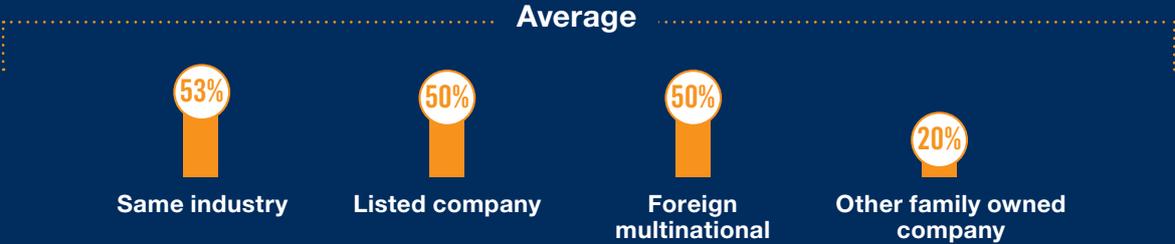


More than two thirds of European family-controlled company CEOs are promoted internally.

In Spain, 85% of CEOs come from the same company.

22. CEO’s background when he/she comes from a different company

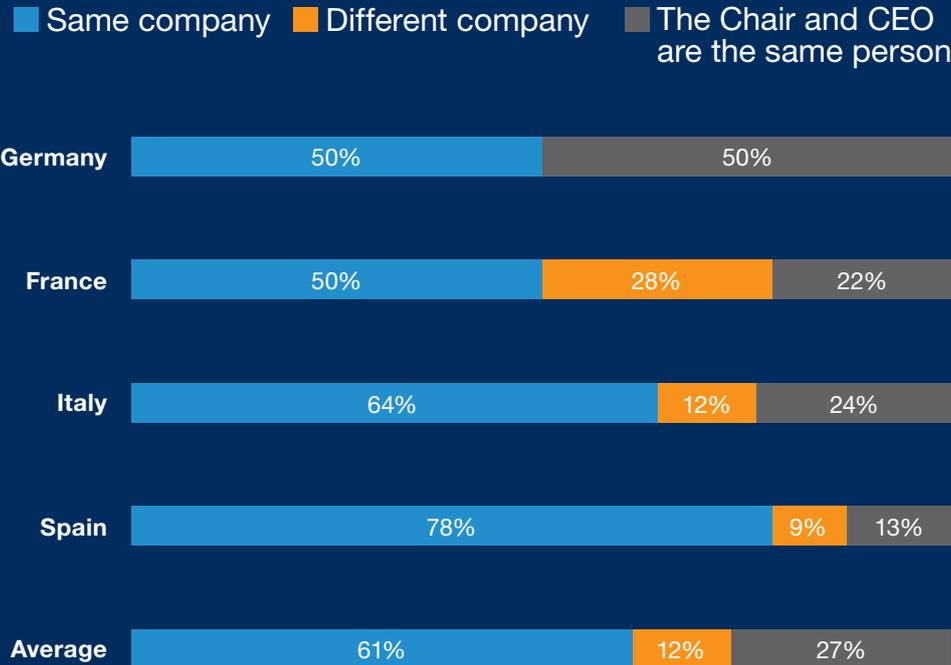
	Germany	France	Italy	Spain
Same industry	60%	50%	58%	25%
Listed company	40%	100%	50%	25%
Foreign multinational	40%	50%	50%	75%
Other family owned company	0%	25%	42%	0%



When a CEO comes from a different company, they are most likely to bring experience within the same industry, from either a listed company or foreign multinational.

Interestingly only 20% of external CEO hires come from another family-owned company.

## 23. Chairman's background



61% of Chairmen come from the same company.

The Chairman and CEO roles are combined in 27% of companies.

24. *Chairman’s background when he/she comes from a different company*

	Germany	France	Italy	Spain
Same industry	50%	20%	75%	100%
Listed company	10%	60%	50%	100%
Foreign multinational	30%	60%	25%	100%
Other family owned company	80%	60%	50%	0%



When a Chairman comes from a different company, they are most likely to bring experience with another family-owned company.

Russell Reynolds Associates is a global leader in assessment, recruitment and succession planning for chief executive officers, boards of directors and key roles within the C-suite. With 350 consultants in 44 offices around the world, we work closely with both public and private organizations across all industries and regions. We help our clients build boards and executive teams that can meet the challenges and opportunities presented by the digital, economic, environmental and political trends that are reshaping the global business environment. [www.russellreynolds.com](http://www.russellreynolds.com).

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