

## Governance services



As your family business grows in size and complexity its success can raise formidable challenges in area of governance. Creating formal processes usually requires a greater rigor in your business decision-making but they can also help your company successfully navigate today's ever-changing — and increasingly competitive — business world.

That means a family enterprise like yours has to carefully:

- Examine its governance structures to ensure its effectiveness
- Align those governance structures with your overall business strategy and risk
- Manage its family dynamics to better implement those policies and procedures

Anything relating to business strategy and ownership criteria can create an emotionally charged atmosphere that makes decision-making and management difficult. But if succession and power issues come into play, governance can be even more difficult.

**Nearly two-thirds of family businesses now have non-family members on their boards.**

— PwC's 2014-2015 US Family Business Survey

## How we can help you

- Recommending refinement of management processes and procedures
- Advising on ownership structure, shares, agreements
- Recommending governance policies procedures
- Analyzing current board composition and structure
- Helping to establish formal structures, e.g. family councils
- Advising on communication processes for family

### What are the board's main responsibilities?

Monitor company performance	85%
Set corporate strategy	74%
Oversee/approve capital budget and key operating budgets	62%
Set/approve compensation for top executives	61%
Oversee risk management	59%
Evaluate top executive performance	56%
Succession planning	56%

PwC's Family Business Corporate Governance Series:  
What's a board's role in family business?



## How we have helped others

### Creating a family advisory board

The founder wanted to transfer partial ownership of the family business to his children and to give them more authority, but he was concerned that he'd lose total control. He wanted his children to run the business but he also wanted to retain some control by, for instance, being able to exercise a veto if he needed it.

#### ***When family members start suing each other***

We helped create an effective family advisory board where the founder and his children discussed and agreed on key business issues. However, when the founder later died, conflicts about the direction of the company resulted in some family members wanting to leave the business

entirely. But there was no agreed-upon mechanism for managing such situations and the conflict reached a point where family members were suing each other in court.

#### ***Formulating a solution***

We sat down with the family and formulated a mutually agreeable united vision for the business and its future.

We also developed protocols that addressed:

- The process and timing of exits
- Which family members were eligible to purchase shares
- Selecting the most suitable valuation method
- The company's obligation to buy shares

### Revising the company board to achieve expansion goals

Our client was a fifth generation family-owned business in the domestic entertainment and media industry. The family always had a family member as the chief executive officer and chairman of the board role, and the board of directors consisted only of family members. The company wanted to expand its business abroad but decided it lacked the expertise required to lead the business in these new ventures.

#### ***Picking the right talent***

We worked with the Company to identify the right talent needed at the board level. We also:

- Evaluated the board of directors' oversight roles
- Suggested expanding the board to include outside members
- Recommended forming committees to steer and oversee management functions
- Suggested candidates for the new board seats

As a result, two new board members with extensive multinational business operations experience were added to the board. These new board members provided invaluable insight to the family board and management company as it embarked upon its international expansion. Subsequently, additional outside board members were added, including a former CEO who helped the company work through succession planning for its executive team.



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