

Management for Professionals

Hermut Kormann
Birgit Suberg *Editors*

Topics of Family Business Governance

Insights on Structures,
Strategies, and Executives

 Springer

Management for Professionals

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and Executives

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Preface

The benefits of a board institution, even for a privately held family-owned enterprise (FOE), are well-documented. Consequently, there is an abundant literature on why and how to design a board structure for FOEs. Certainly, the structure of the institutions of governance is important. But, eventually, the contribution by the board to the development of the company depends on structure, people, and processes. The people involved are particular in each and every situation. The few recommendations possible are typically included in the guidelines for structuring the governance in general. Very limited research is available on the processes of a board. The most important element of the process (apart from frequency and duration of meetings) is the topics dealt with. Which are the issues where the contributions of the members can make a difference? In this volume, we reflect on these topics. This is not a piece of systematic research, but reflections from practitioners working in the boardroom.

For some years, the editors wrote a column for the monthly issues of the *China Family Business Review* on topics of governance. The editors are proud that Joseph H. Astrachan, Claudia Binz Astrachan, Andrew Keyt, Laura K. C. Seibold, and Torsten M. Pieper not only contributed to the said column but also to this book. Of course, these columns dealt with the practice of governance in Western countries, the practical experience of the authors on boards of FOEs. Here, this empirical insight is also augmented by solid research on this topic. Such an endeavor can never be exhaustive. The most regular issues are addressed, most of which are of the essence at some point during the development of the FOE.

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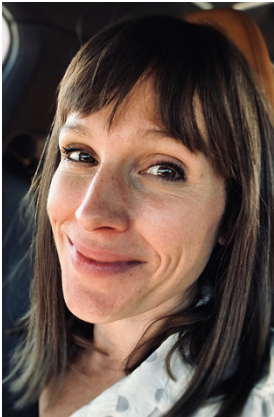
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Part I

The Design of Boards for Comprehensive Tasks and Efficient Processes

Introduction

Hermut Kormann and Birgit Suberg

This booklet covers the most important topics in the governance of family enterprises.

Any organization will typically be planned and developed by first designing the structure, then staffing the structure with people who then initiate the processes. That is also the way a new or revised governance system is introduced in an enterprise. In this context, we understand governance as a system to “Lead the leadership” (Foucault). The efficacy of the governance system is, however, determined in the reversed sequence of priorities. Just the processes of the governance institution have an impact on the leadership of the enterprise. These processes of course depend on the actors involved—on their intentions, their power, and their capabilities. The objectives for exercising influence—as the basis of their intentions—as well as the power depend on the structure of the system. Therefore, the processes are decisive for the effects. Whereas there is an abundant literature on the structuring of governance systems, the question of selecting the right individuals for the available roles is rather neglected in the research and on the processes, there is hardly any publication to be found. The reason why the processes are omitted is to some extent understandable and almost unavoidable: They could only be described and analyzed by participating in the meetings. But researchers are hardly allowed to participate in meetings of boards.

Now, our basis for this reflection is exactly this life experience of board meetings. The authors have been members of well more than two dozen boards in large and small enterprises—with few exceptions all of them boards of family enterprises—for over more than three decades. Parallel to this activity as a practitioner, he has done

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research projects on governance in family enterprises and participated in numerous workshops and discussion groups focused on improving the practice of governance. This theoretical perspective sharpened the capability to observe the real-life actions and to draw meaningful conclusions. Thus, the following essays are based on solid involvement in the available theory but are not a piece of theoretical research. They are a record of practical reflections.

While emphasizing the similarity of family enterprises across regions one has to underline the enormous diversity within this type of enterprise. There are small and large ones, young and old ones, those owned by one shareholder, and those owned by a large group of shareholders. Among the different criteria which could form a typology, the age might be the most important specification. Age has a certain correlation to the size and complexity of the business activity as well as to the number of shareholders. We, therefore, structure this collection of essays in a loose order along the timeline of the age of the enterprise. Some of the topics are relevant primarily in a certain phase of the development of the enterprise. Thus, we start with the early phase of the development and move on to the mature, large, multi-generation company. And it is, of course, possible to choose just single articles for reading. Hopefully, the content of one chapter raises the curiosity to have a look into other essays, too.

The topics are selected according to the likelihood and frequency of their appearance in the agenda of a board. That means we do not intend to describe each and every potential theme which could be addressed in board meetings. Reflecting on these topics should be a promising way to design and improve the efficacy of the whole governance system.

We break down the chapters into broad segments of:

- Governance system: how to structure a board
- Strategy process: important aspects of presenting, reviewing, and discussing strategic issues
- Topics of strategy with an introduction of the big questions on strategy which should be discussed by all shareholders and followed by the generic issues from profit to crisis
- Some important aspects on leadership development both in the context of family succession as well as in the context of non-family executives including an outline for the remuneration system