

London
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Synthesis

Private Companies
*changes to the governance
landscape* dinner

Private companies - maintain the status quo or support a tide of change?

Ahead of the Wates review of Private Company Governance, EZ London recently hosted a dinner with seven Chairman and Senior Directors of private companies to collect their thoughts and reactions as to whether privately held companies should strengthen and adapt their code of Governance. Overall, there was strong support to reinforce and further codify the governance of privately held companies.

We wanted to share some of the key themes and highlights that arose.

Support for reviewing the current framework

It was acknowledged that private companies constitute a very broad bucket, there is not a one-size-fits-all solution. In general everyone agreed that a framework is helpful, but that not everyone will enforce the code in the same way. Non-compliance may occur in certain circumstances and companies should be accountable for explaining their reasons and feel empowered to confess. Transparency will be key.

It is important to understand what shareholders want, it isn't always 'strategy & insights'. Perhaps it is necessary for private companies to extend the concept of moving beyond value creation for shareholders and towards a broader value creation and protection for all stakeholders.

The major difference between plc and private companies appears to be how they communicate. The burden of communication on PLCs is very different to private companies. Private companies do not need to justify short-term results and therefore are freer to think about other business considerations. It was noted that in Financial Services the regulation already seems cumbersome and akin to PLC governance.

Size and Ownership Structure

Whether the company is family-owned, a mutual, PE-backed or another structure, what matters is longevity of ownership, consistency in the business strategy and phenomenal customer services. However, the burden on a small start-up should not be the same as an established mid-sized business. The cut-off around 2,000 employees seemed a reasonable threshold to delineate the requirement for greater transparency, accountability and independence.

Purpose of the Board of Private Companies

Some imagine a private board almost as a board of trustees. There was a feeling, however, that there is a broader structural problem because not all institutions want to engage with businesses (public or private). Fund managers appear to have a lower regard for corporate governance. On the whole PE are better at engaging, normally because two PE representatives tend to sit on the board.

How involved do family run companies want to be with the governance dialogue?

There is often a sense that family companies can 'portray the image of conforming on corporate governance'. The difficulty with family-run businesses appears to be identifying what the owner actually wants, either because it isn't clear or because it changes. This means there is greater emphasis on the role of independent non-executive directors who need to be prepared to speak out or even blow the whistle if necessary.

There's a challenge to attract top talent to private businesses, it's important to have 'purpose' and 'clarity'

Sometimes there is a miscommunication and candidates are hired under a different pretence to that which the owners actually intended. Therefore once in role, this can limit the ability of the incumbent to think strategically and act in the best interests of the business. Communication throughout the process is critical to ensure all parties are aligned.

Dinner hosted by by Egon Zehnder (Laurent de Meeûs, Rian Raghavjee and Hugo Nanninga).

Paper prepared by Laurent de Meeûs, head of EZ London's Financial Services practice.

We serve clients across all industries, corporate functions, and ownership structures, going beyond executive search to include a full suite of leadership advisory services. We have just one objective in mind: finding a bespoke solution for your talent needs. Our services range from CEO succession and executive and board appointments to transformational leadership work to board effectiveness consultation and executive assessment and development, including our own Executive Breakthrough Program, a truly innovative program for developing CEOs in an ever-changing world.

Hosts



Laurent de Meeûs

Laurent is a trusted advisor to banks, insurance, and asset management companies. Based in London, he is active in the Egon Zehnder's Financial Services and Board Consulting practices. He guides family-owned companies, FinTech, and transaction-services clients on board search, senior appointments, and succession. He has worked as a leadership advisor with over twenty executives over the last two years.

“As an advisor to influential decision makers, I move with agility and challenge them to be brave when choosing talent.”

Prior to joining Egon Zehnder, Laurent was a Principal in the Financial Services Group at Booz Allen & Hamilton, based London and Amsterdam. He began his career as an Analyst with the Société Générale de Belgique and a Senior Auditor at Coopers & Lybrand, both in Brussels.

Laurent has a master's in applied economics from the University of Louvain-La-Neuve in Belgium and an MBA from the University of Chicago. He is a nonexecutive director of a family-owned company and a member of the board of Sofina, a Euronext-listed company. He is also on the Lord Mayor Appeal. Outside of work, his interests include driving race cars, skiing, wine, and history.

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Rian Raghavjee

Rian works in Egon Zehnder's London and Johannesburg offices and is active in the Financial Services Practice. He is responsible for investment banking in the UK and also has deep expertise in international asset management and insurance. Rian provides leadership advice to clients across a broad range of talent needs, including executive search, leadership development, and coaching.

“We are in a privileged position to effect change through having a positive impact on candidates and clients. I enjoy partnering with clients in solving their critical leadership problems.”

Prior to joining Egon Zehnder, Rian was involved in growing several commodity trading businesses toward sale or IPO. He cofounded a company to build multi-commodity trading businesses for clients and led the origination function in identifying structured commodity trading opportunities and asset investments. He started his career as an engineer working on the underground gold mines of Anglo American. He then moved to the corporate finance and market development functions, where he invested in downstream start-up and joint venture companies globally. Rian has also served on the board of the World Gold Council.

Rian has a BSc in engineering from the University of Natal and an MSc in engineering from the University of the Witwatersrand, both of which are in South Africa. He is also a CFA Charterholder. Rian grew up in South Africa and the UK. He lives just outside of London with his wife and children.

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Hugo Nanninga

Hugo, based in London, leads Egon Zehnder's Legal, Regulatory & Compliance Professionals Practice in the UK. He has extensive experience advising companies across all sectors on legal professional succession and general development of their legal talent. Hugo is also a key member of the firm's Consumer and Financial Officers practices, working closely with clients while providing services from executive and board search to executive assessment and development across Europe and the UK.

"I'm passionate about building deep connections with people, discovering what drives them, and helping them unfold their full potential."

Before coming to work for Egon Zehnder, Hugo was an Associate in the corporate practice of the Clifford Chance LLP law firm in Amsterdam, where he counseled clients on cross-border public and private M&A transactions, joint ventures, restructuring, and corporate governance.

Hugo earned an LLM (Master of Laws) from Erasmus University, in Rotterdam, and an MBA from London Business School. In his private life, he is passionate about his family, sports, travel, and music of every kind.

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