

# **CORPORATE GOVERNANCE IN NON LISTED COMPANIES**

## **« OURCOM » : A CASE STUDY**

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# BASIC DATA

- **Founded** : mid 19th century
- **Business** : basic food commodity producer
- **National market leader** : turnover € 600 M

# RECENT HISTORY

- 1970s : aging, ailing → new CEO (family)
- 1980s : brilliant strategy → turnaround
- Mid 1980s : went public : market cap € 300
- End 1980s :
  - Vulnerability (EU regulated, concentration)
  - Envisaged new strategy
  - Went private

# SHAREHOLDER STRUCTURE

- Mainly family owned, a few outsiders
- 6th generation
  
- Shareholders : 60-90 individuals,
- Individual holdings : 33 % → < 1 %

NB Ourcom holding = large part of individual wealth

# NEW STRATEGY

- Old business : auction sale → € 1 Bn
- New business :
  - mainly private equity
  - actively managed for resale
  - geographical and currency diversification
- Management style :
  - CEO + tiny investment teams
  - Incentive driven by carried interest
- Corporate Governance :
  - some board revamping,
  - 2 Board Committees : Remuneration and Valuation)

N.B. New strategy agreed by family holders (lack of individual alternatives)

# IMPLEMENTATION

- Beginning of 90s : successful start
- 1994-5 : internal shh crisis build up because
  - USD plunged
  - Some investments went sour (the good not yet mature)
  - Board deemed too passive
  - CEO insufficiently transparent in decision taking
  - No listing = no exit (shareholders locked-in)
- → unease, anxiety, dissatisfaction

# 1995 : REACTIONS

- BCG shareholder opinion survey
- Family ex-board member memo
- Young family members' informal meetings  
→ list of wishes
- Study group on “Working of the board” = CG
  - young family board members
  - guidance of independent directors

# FACTORS TO CONSIDER

- Character of family : emotional, irrational, interfering
- Need for
  - communication channels between management, board and shareholders
  - precision in board's role and special position of “shareholder” directors and independent directors
  - a tight calendar

# APRIL 1996 REPORT

## MAIN RECOMMENDATIONS (1)

- Board
  - Greater Board involvement
  - List of Board functions
  - Directors' and committees' role
  - Board and committee composition and criteria
  - Meeting agenda and frequency
  - Board evaluation

# APRIL 1996 REPORT

## MAIN RECOMMENDATIONS (2)

### Shareholder relations

- Minority shareholder treatment in decision making
  - Info provision and communications channels  
Board reps to liaise
- Share liquidity
    - Important issue for Board

# APRIL 1996 REPORT

- Other outcomes
  - June 1996 : formal Urgent Decision-making Procedure
  - October 1997 : formal Board Rules
  - 1997 : One-time share buy-back programme for exit candidates

# OCTOBER 1997 FORMALISATION BOARD RULES (1)

- Board functions
  - Group strategy and major policies
  - Plans, budgets
  - Executive performance, board committees
  - Group structure (legal, tax, organisation, committees)
  - Executive appointments and dismissals
  - Executive interface/reporting modes
  - Shareholder relations

# OCTOBER 1997 FORMALISATION

## BOARD RULES (2)

- Board composition
  - 5 Shareholder, 4 Independent, 1 CEO
- Board membership criteria by category
- Chairman : non exec  $\neq$  CEO (not new)
- Vice-Chairman (= SID) (new)
- NB Super-majorities for certain board decisions

# OCTOBER 1997 FORMALISATION BOARD RULES (3)

- 2 new Board Committees
  - Nomination and Audit
- For all committees
  - Independent directors role
  - Terms of reference

# OCTOBER 1997 FORMALISATION BOARD RULES (4)

- CEO
  - Functions
  - Decision making constraints
  - Reporting requirements

# CONSEQUENCES

- Most minority shareholders stayed on (some only partly)
- Restoration of peace and confidence
- CEO near retirement eventually succeeded
- Group still prospering to shareholder satisfaction

# CONCLUSIONS

- General approach non-listed = listed
- Some variations (cf Audit Committee)
- CG even more important for non-listed (shareholders locked-in)
- CG provisions positive spill-over effects for other stakeholders