

## **Focus: « Corporate Governance Strategy for Growth Businesses» / An interview of Joëlle Pacteau**

*Joëlle Pacteau, International Market Head and WM Europe Coordinator within UBS SA in Geneva, recently organised her first conference on the topic: “Corporate governance strategy for growth businesses”, and invited Dominique Druon, President of Aliath, to speak on the subject: “The strategic advisory committee: a first step towards corporate governance in support of a growing business for SMEs”. During this event, we met with Joëlle Pacteau and asked her to provide her insights into the progress of corporate governance today.*

### **Why did you choose to organise a conference on the topic of corporate governance?**

There are two main reasons for this choice. Firstly, we noticed that the subject of governance has become a key issue among the concerns of the business leaders and entrepreneurs that we work with every day. Secondly, we are surrounded by companies that were created after the war and that are now asking themselves how best to manage their succession, to pass the company on from one generation of managers to the next. And they have many questions: how to do it? With which new projects? And to whom should the company be transferred, particularly in the case of a family-owned business.

### **According to you, what are the main issues of corporate governance that companies have to deal with today?**

There is a story that I like to recall when it comes to corporate governance. It tells of the ups and downs of an Italian industrialist, Datini, an influential player in the textile industry in the 15<sup>th</sup> century. The story chronicles his initiation as an entrepreneur, his rise to the head of a genuine empire, and his subsequent fall. It not only touches on the main corporate governance challenges facing a company at each stage of its growth, but it also shows that all the major governance issues are far from new and have always been part of corporate life.

In the story, the Italian industrialist is confronted alone with the major pitfalls and key issues of corporate governance:

- 1) **In the start-up stage: To find both the funds and the right partners to support the growth of the business.**
- 2) **In the development stage: To have the right skills in order to develop the company on new markets or new areas.**
- 3) **In the transmission stage: To anticipate the next step and prepare for the succession.**

At the time, the Italian industrialist did not have any governance tools to help him make the right choices and the company went through these different stages painfully. Had he benefited from an appropriate corporate governance system, he would have faced these issues with calm and would have made the right choices at the right time. Today, we have access to efficient solutions to avoid what I would call the “necessary evil” of business leaders. That said, I believe that even though the key issues have been identified, corporate governance remains largely unfamiliar and poorly understood.

## **What solutions are you referring to and which best practices have you identified in terms of corporate governance?**

First of all, I would say that it is important to use existing structures to their full potential, such as the board of directors, which is still often considered to be of little use. In fact, it is essential to renew existing boards by introducing profiles with targeted expertise, in other words, independent directors able to guide and support the CEO selflessly.

I would then list four existing best practices in terms of corporate governance:

- **Forming a strategic advisory committee or a governance committee.** An ad-hoc committee is a good way to start before establishing a board of directors. It is less demanding and more flexible than a board, and less committing in the way it operates –be it statutory or not.
- **Completing corporate governance audits.** Led by specialised firms, these audits can be a good way to raise awareness within the company about its governance issues.
- **Using experts.** Once a business is structured, it is important to call in experts who will support the CEO in writing its corporate charter, a shareholders' agreement, etc.
- **Clearly defining everyone's role,** in particular when several generations are involved at the head of a company. This makes it easier to organise the handover of power and to avoid *"turning a beautiful family history into a sordid family tale"*.

## **What light do foreign markets shed on governance issues?**

The issue of foreign markets impacts corporate governance in two ways. Firstly, not a single company or sector can avoid the question of moving abroad for their development and future growth. That said, although it may be a core issue for companies, it remains complex to implement and requires a solid and efficient corporate governance structure to back such a move.

Secondly, it is important to understand that in certain countries, there is no modern corporate governance, nor even any knowledge of the topic. Even though in a global market, corporate governance, which I consider to be the art of organising things appropriately at home, is the best way to address the world and develop within it with confidence.