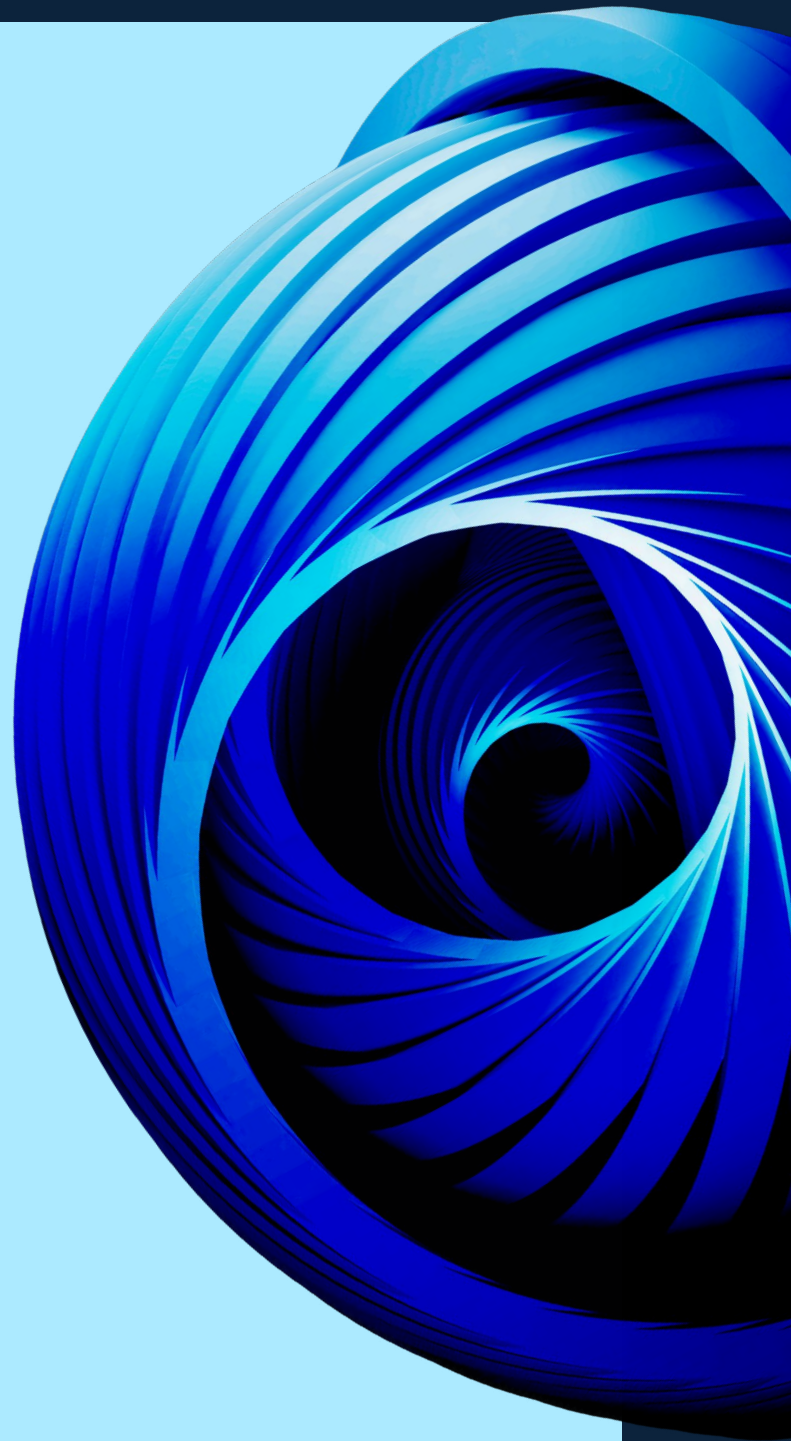


The Sages family business story

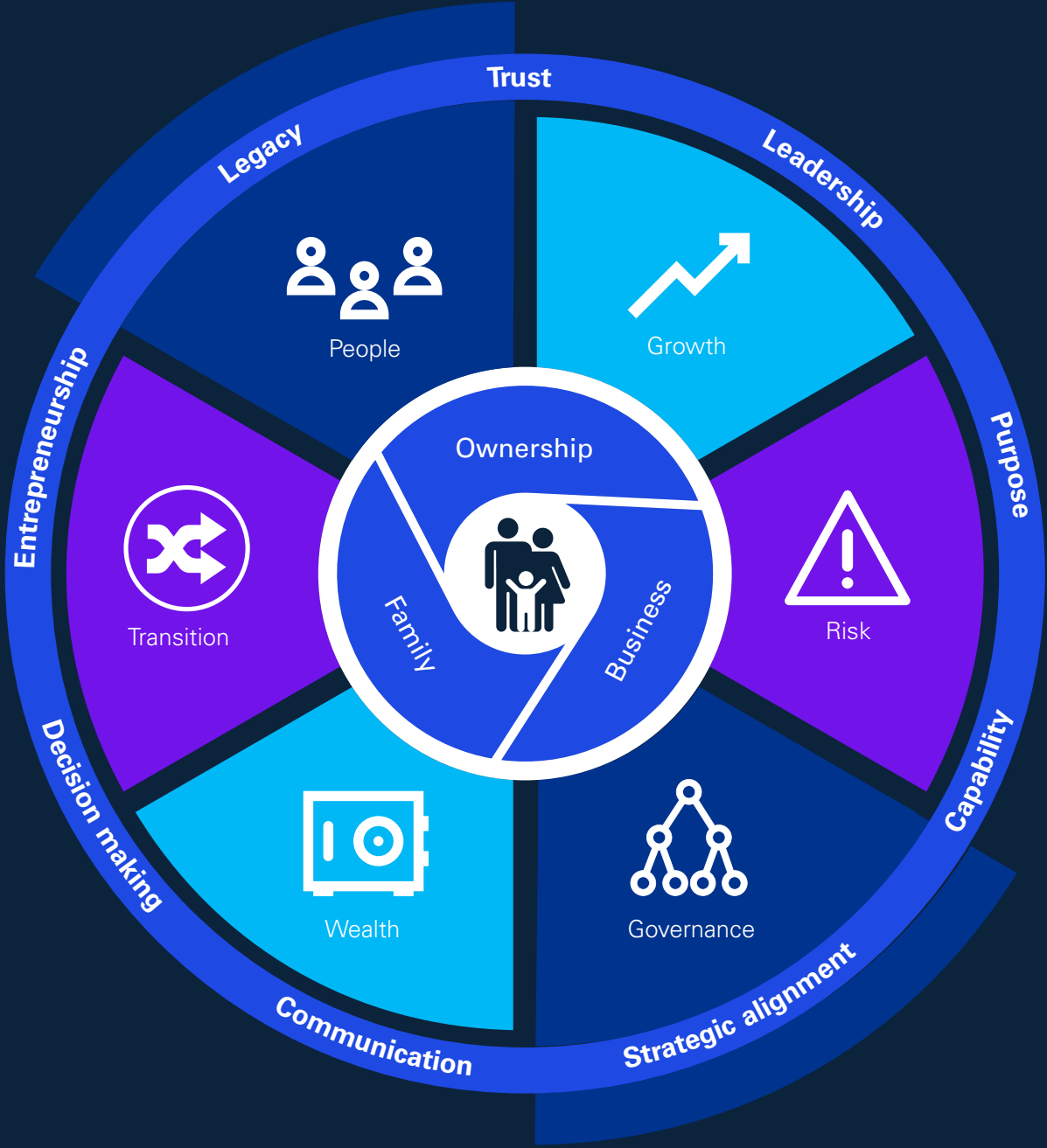
**Case study 19:
Governance with an external CEO**

Written by Professor Christine Blondel from INSEAD

kpmg.com/familybusiness



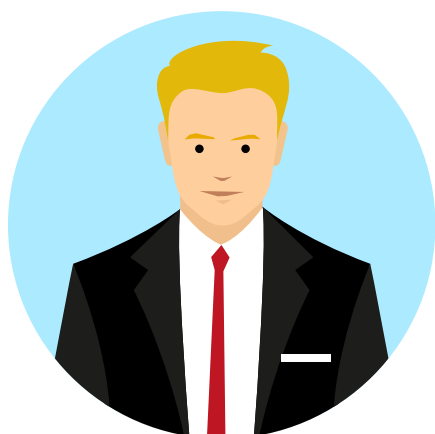
Family business dynamics — Governance | People



Source: KPMG Private Enterprise Family business dynamics, 2017

Part 1: The story

Case study 19



Timothy was about to enter the meeting room. He thought about how much had happened since his father passed away 18 months ago: the business started to expand abroad thanks to successful joint ventures, they purchased two of their franchisees in order to bring the stores up to the Sages Group's standards, they accepted an outside investor in the eastern region to support the purchase of the franchisee, and they were testing a new online ordering venture. They hired a new CEO (the one they hired when their father was still chairing the board left after six months), and they started to professionalize the board of directors. The family meetings their father initiated were being held on a regular basis. Timothy had good exchanges with his siblings, and the younger family members seemed very interested in learning more about the business. The latest event was his mother's retirement from the board and his own appointment as Chairman of the Board.

Today, Timothy was about to have his first meeting with the CEO, George, in his position as Chairman. This made him a little tense as his relationship with the CEO was now totally different.

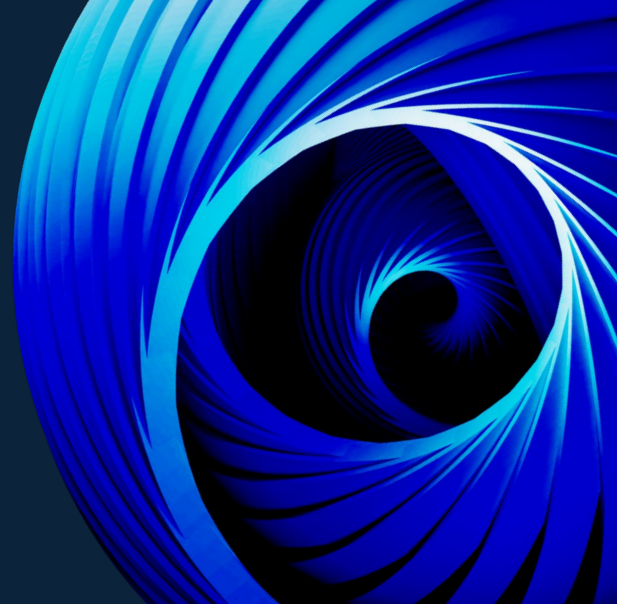
A family business

Thomas Sages started the Sages Group, now a leading supermarket chain in its country, as a small grocery store in 1954. His children Caroline and Timothy joined the business and contributed to its success, while their brother Charles left with some bitterness and worked as a consultant specializing in retail. The first external CEO of the Sages Group was hired a couple of years ago when Thomas was still Chairman, and the experience was disastrous: the CEO had no latitude and left after six months.

When Thomas passed away, an external board member from another family business with extensive international experience accepted an invitation to join the board, and Charles was appointed to the board. A new CEO was hired and it appeared to be a good fit. Many new business initiatives were underway.



Part 1: The story



Case study 19

Difficult questions

When the CEO entered the room, Timothy noticed that he appeared to be preoccupied. What was going on? He would soon discover.

One of the items on the agenda was the organization of the leadership team with Timothy's departure from his operational job. The first thing that George said was that he did not feel at ease with Caroline both sitting on the board of directors and reporting to him operationally.

Another item was the update of the strategic plan, and George said that he did not understand the owners' expectations. Were they expecting the same dividend payments this year? What level of debt were they willing to accept? What kind of risks were they willing to take? George did not want to build his budget and three-year plan without more precise indicators.

Timothy was relieved not to hear any questioning of his new role as Chairman of the Board. But he felt that the owners still had a lot of work to do to formalize their expectations. How should they proceed? He decided to hold a conversation with his trusted advisor before the board meeting.

Questions for discussion

- Have you ever encountered situations like Caroline's, where a family member is both an executive and a board member? Have you ever articulated the owners' expectations to management?
- What advice would you give to Timothy in order to answer George's questions?

kpmg.com/privateenterprise

kpmg.com



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit kpmg.com/governance.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Throughout this document, "we," "KPMG," "us" and "our" refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity.

Any resemblance to actual persons, living or dead, is purely coincidental.

Designed by Evalueserve.

Publication name: The Sages family business story: Case study 19

Publication number: 139030-G

Publication date: October 2023