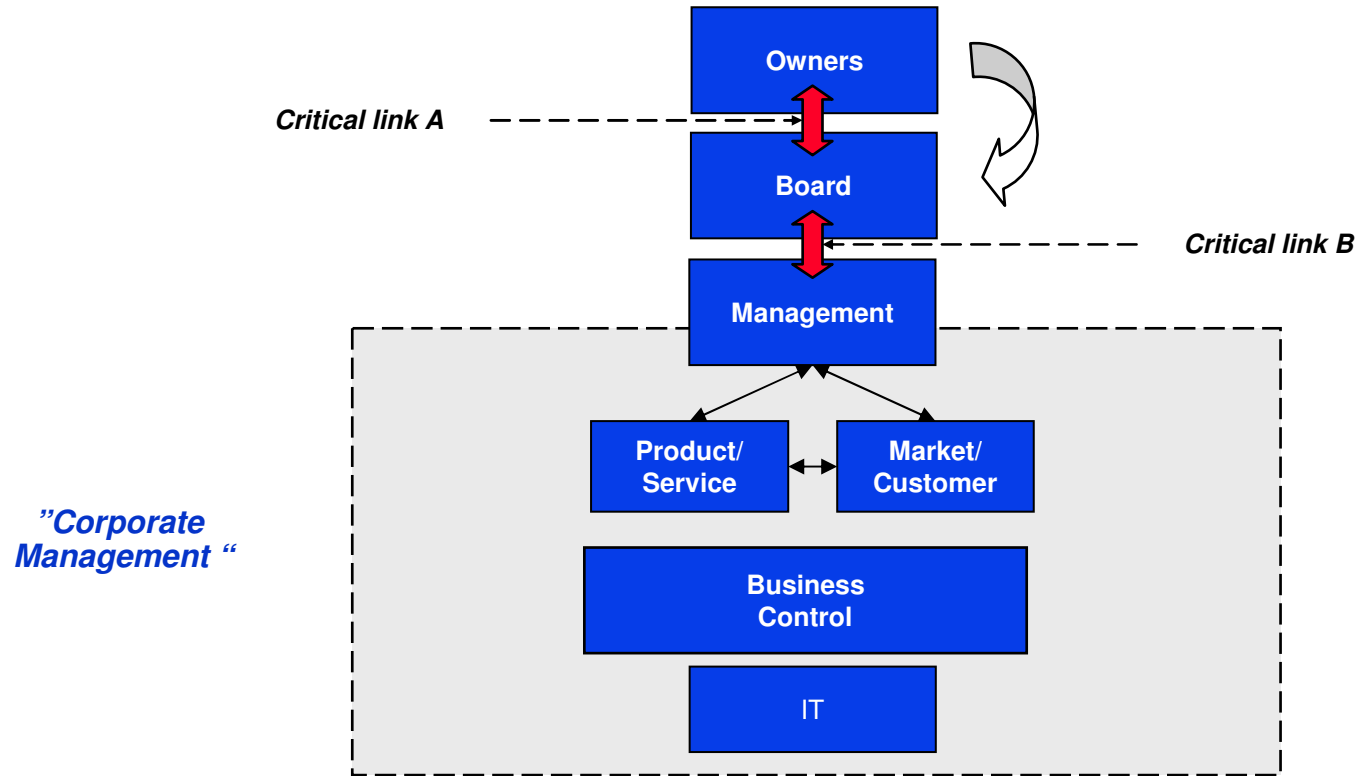


**Ownership Strategy and Corporate Management
- a missing link ?**

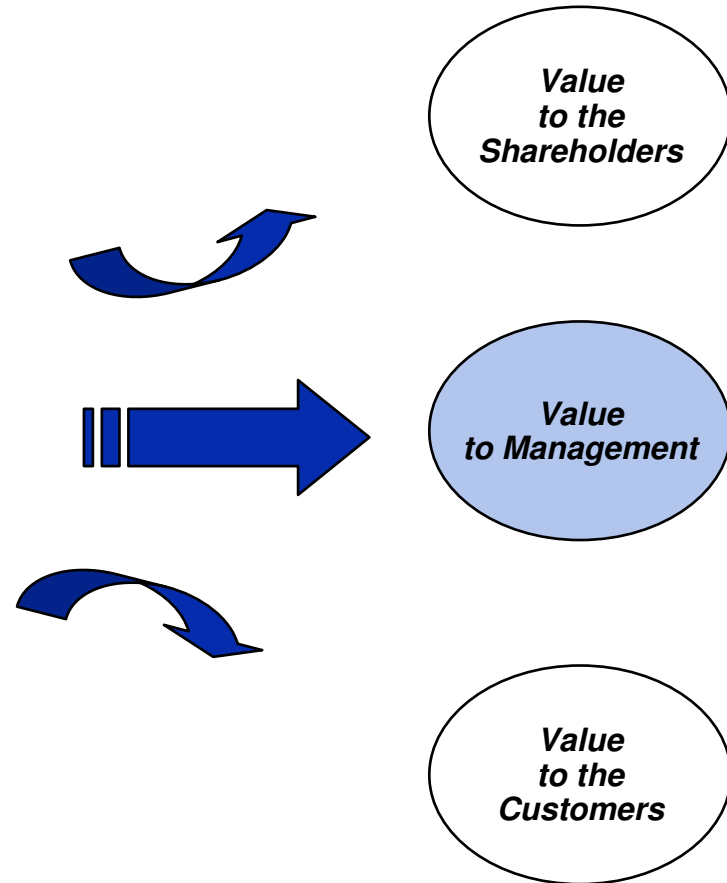
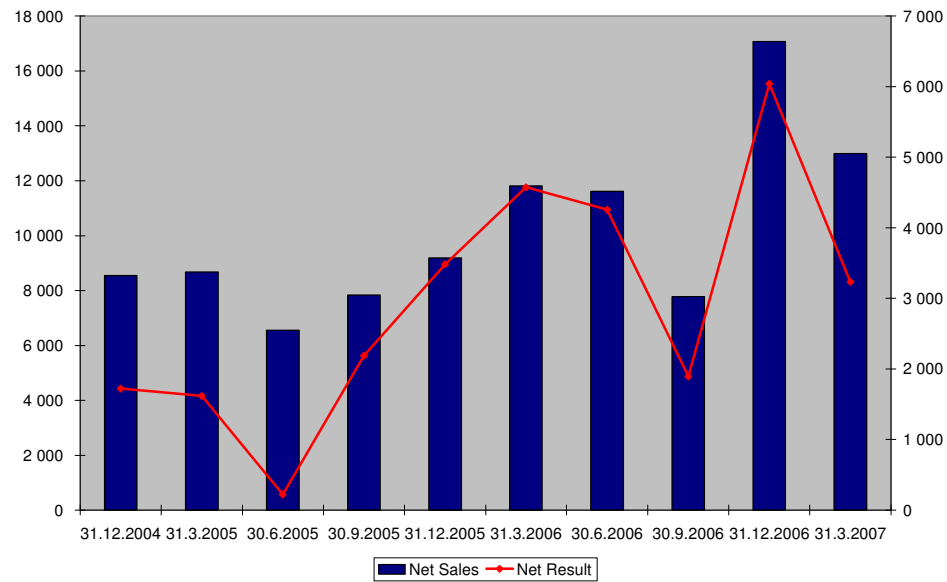
Hanken
24.10.2007

The Governance Value Chain

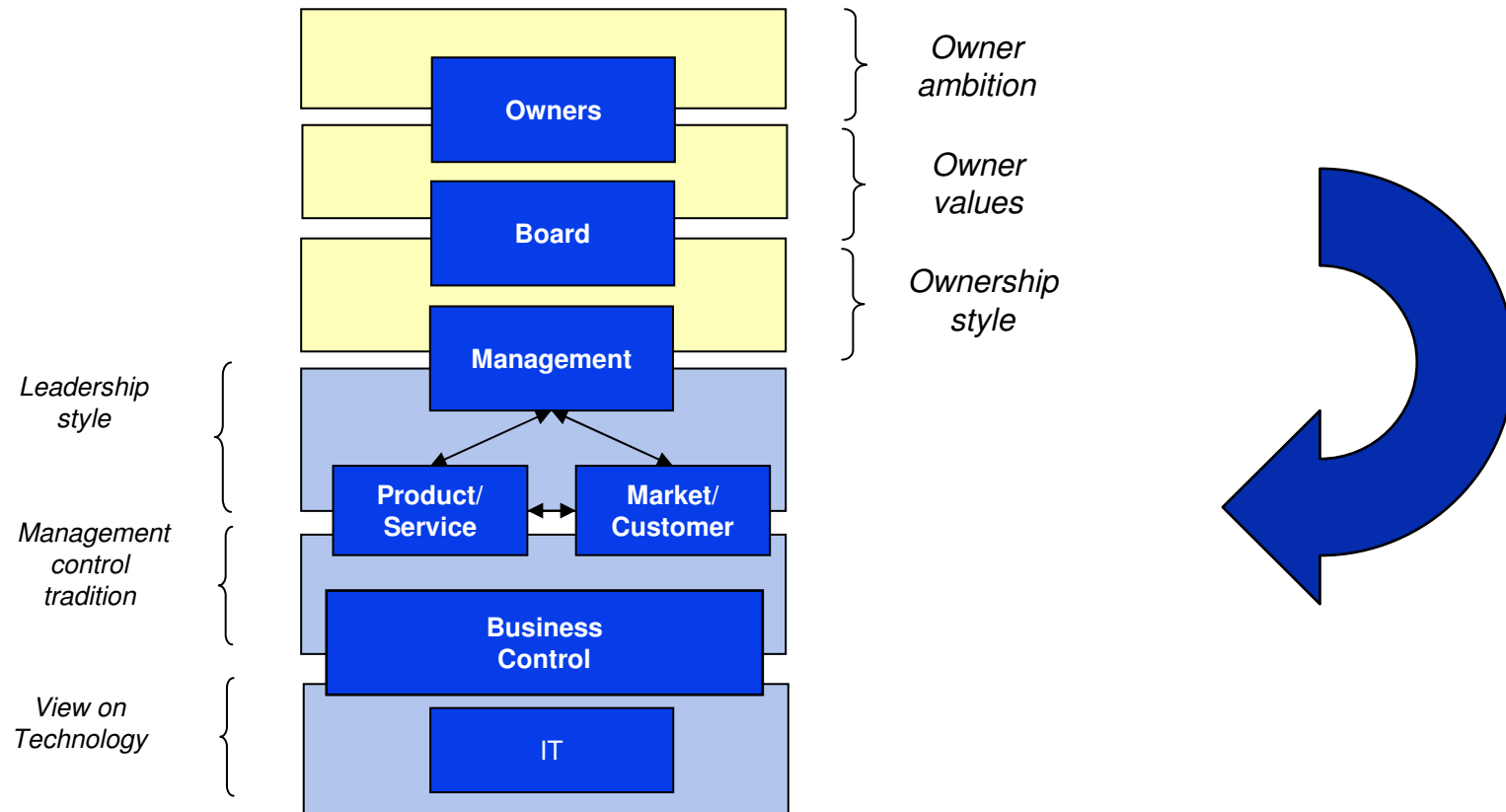


Today's focus => the critical links

The Holy Grail - Sustained, Profitable Growth



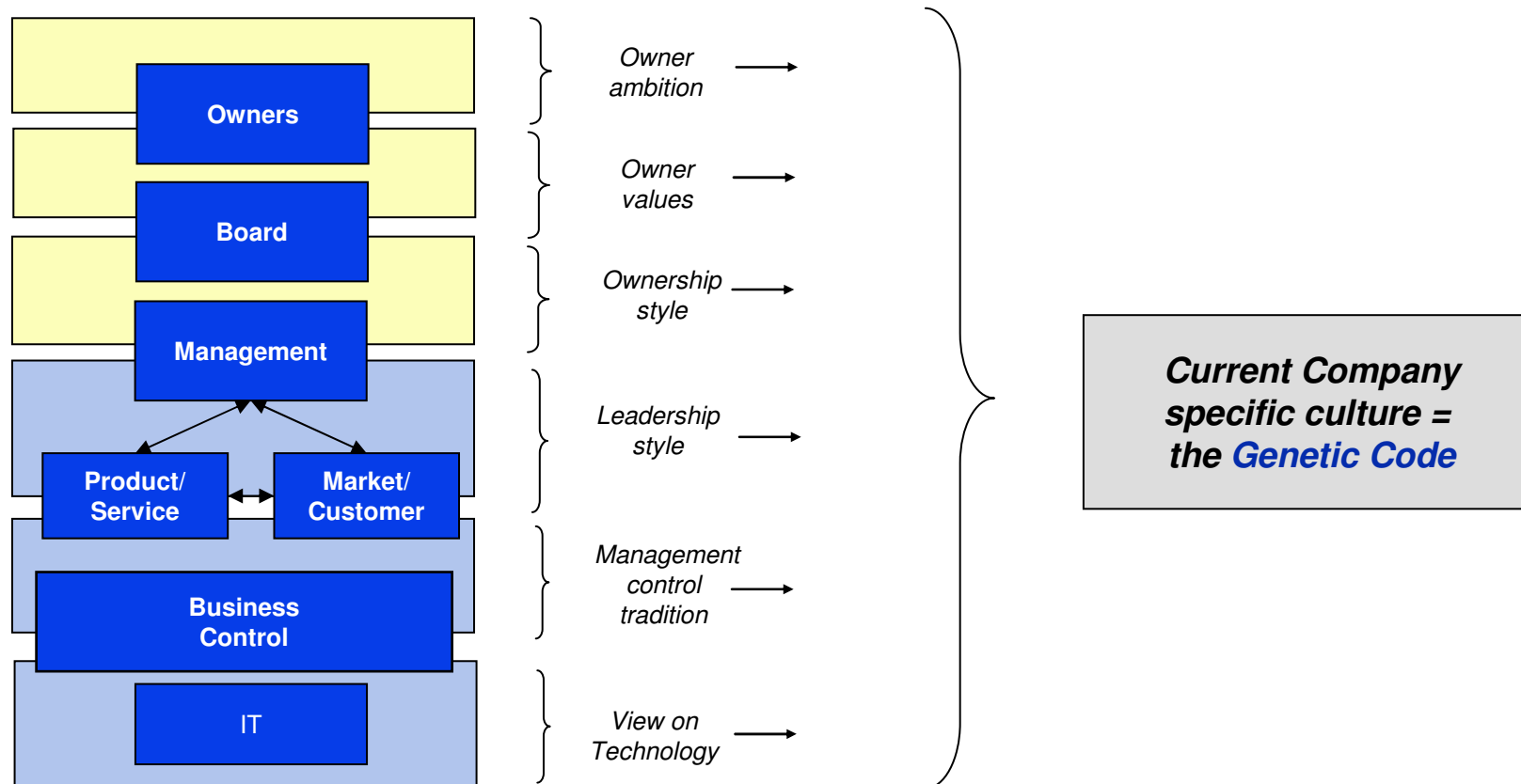
A well defined and communicated Ownership Strategy is the key to success



.. and vice versa – a unclear and poorly articulated ownership agenda a most likely reason for not reaching Profitable Growth

B&MANs

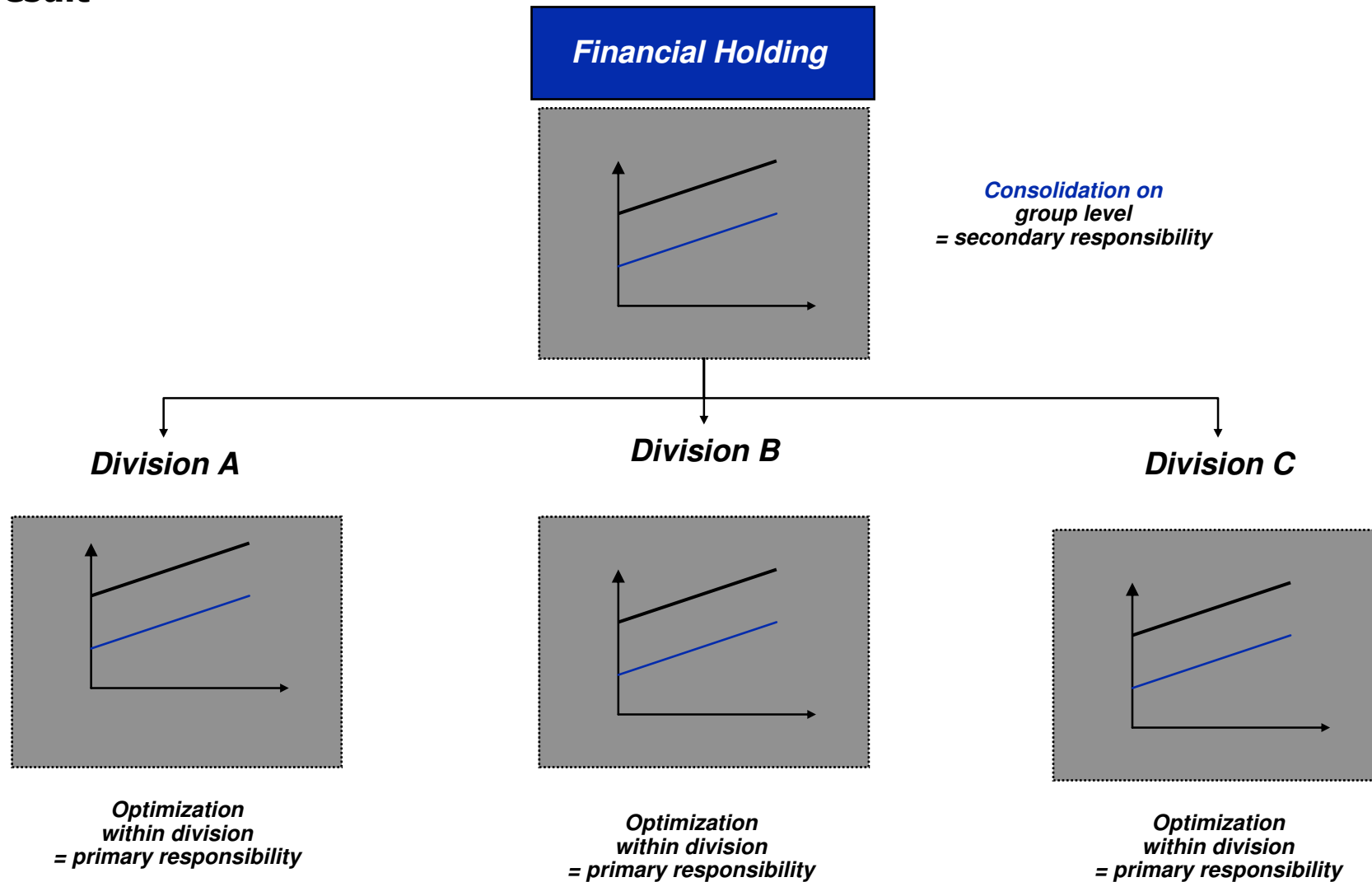
The Company Culture is usually an outcome of how Owners , Board and Top Management interact with different stakeholders – *change in ownership , board composition or management will usually mean changes in Company Culture*



A Change in Company Culture is often an owner driven activity – like hiring a new CEO

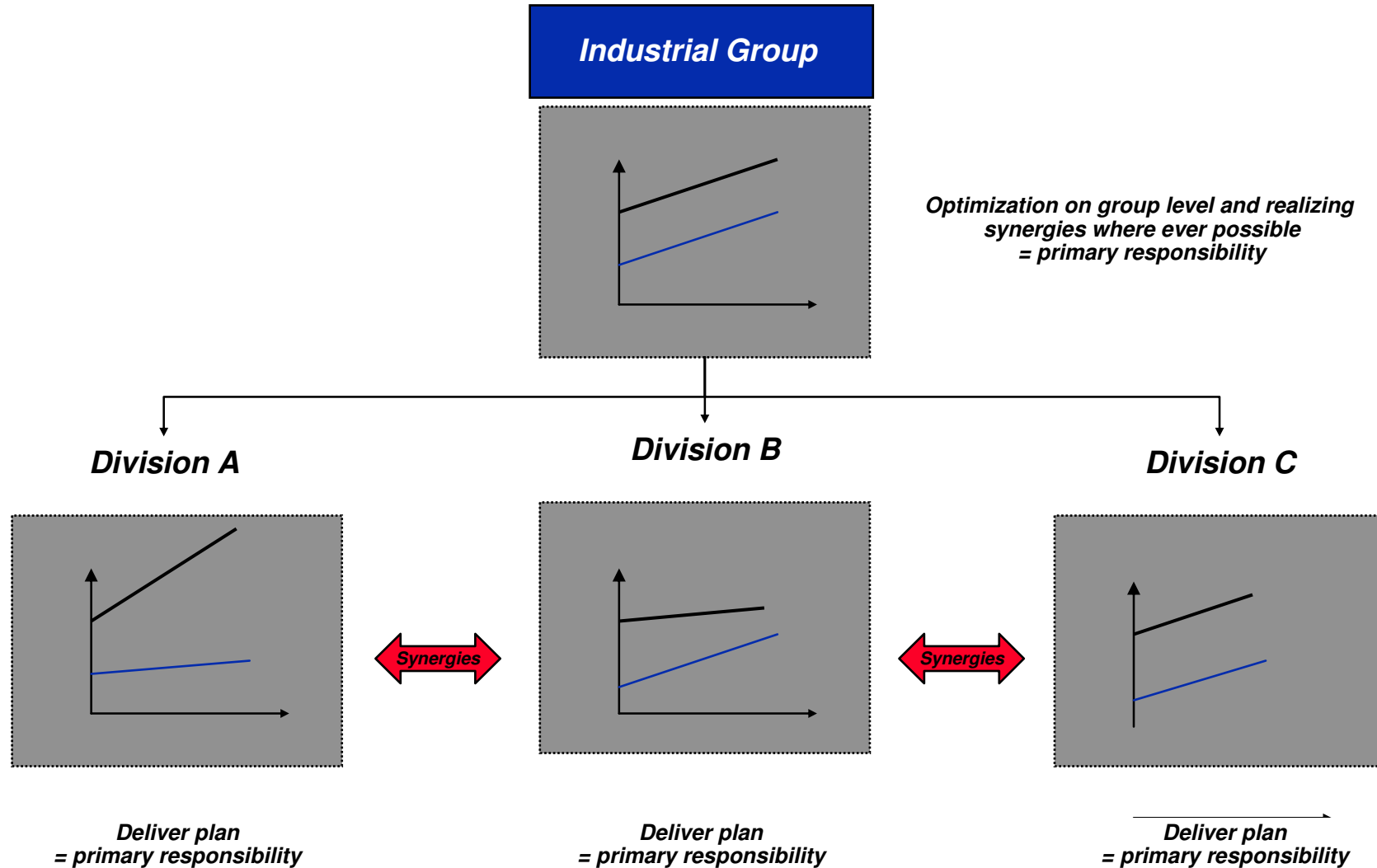
B&MANs

A **Financial Holding** structure is focusing on realizing financial synergies as the independent Business Units are individually responsible to optimize their own result



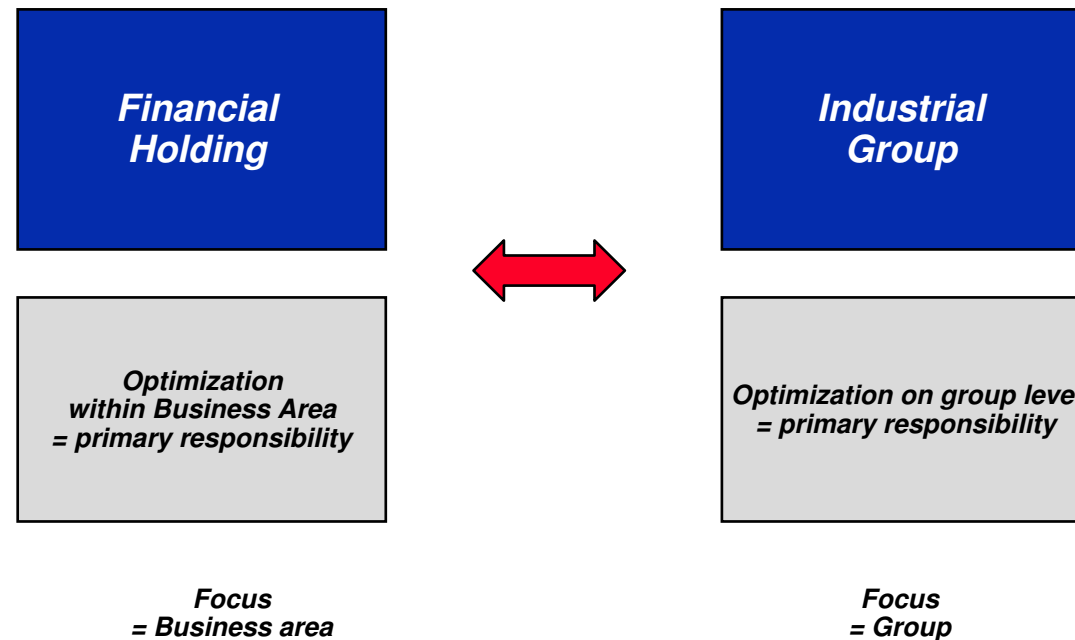
B&MANs

An **Industrial Group** structure is focusing on optimizing the whole Group and realizing all types of synergies when or where ever possible



B&MANs

The two different Structures mean different Ownership and Management competences and profiles



Dualistic roles will cause confusion and responsibility gaps – and if both Structures are used in a larger Group – very clear rules must be made who is responsible for what and in what structure different decisions are made

B&MANs

Different Owner roles and styles will again lead to different interface mechanisms with key Stakeholders – and require different Board member mix of competences

| | <i>Primary Control method</i> | <i>Relation to Management</i> | <i>Ownership demand setting</i> |
|------------------------|-------------------------------|-------------------------------|-------------------------------------|
| <i>” Reactive ”</i> | <i>“ Resources “</i> | <i>“ Distance “</i> | <i>“ Respond to suggestions “</i> |
| <i>” Active ”</i> | <i>“ Structures “</i> | <i>“ Trust “</i> | <i>“ Evaluation/ benchmarking “</i> |
| <i>” Proactive ”</i> | <i>“ People “</i> | <i>“ Mutuality “</i> | <i>“ Initialize “</i> |
| <i>” Hyperactive ”</i> | <i>“ Actions “</i> | <i>“ Closeness “</i> | <i>“ Specifies “</i> |

.. and they often change over time => Board Members should therefore be nominated as a function of what ownership styles are required

*A Board member should be knowledgeable enough to be able to ask the right Qs
- and competent enough to validate the answer*

Summary

- A well defined and communicated **Ownership Strategy** is the **key to success**
- The Ownership Strategy or **Agenda** should be a statement of what the owners are **expecting** and **requiring**
- The Company Culture is usually an outcome of how Owners , Board and Top Management interact with different stakeholders – *change in ownership , board composition or management will usually mean changes in Company Culture*
- A **Financial Holding** structure is focusing on realizing financial synergies as the independent Business Units are individually responsible to optimize their own result ... where as an **Industrial Group** structure is focusing on optimizing the whole Group and realizing all types of synergies when or where ever possible - the two different Structures mean different Ownership and Management competences and profiles – do not mix them
- Different Owner roles and styles will again lead to different interface mechanisms
- Ownership and Business Strategy should never be disconnected – **all has to make sense long term especially financially**
- The Strategy Process cannot totally be outsourced to Management – **the Owners have to also know how different Business Strategy frameworks and platforms develop**
- Owner involvement in **Reshaping Company Business Portfolio** is important but involvement **level** is depended on chosen Ownership Role

Owners cannot afford to have the link missing – and we all know what happens with the weakest link when times get tough.