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ETHICS OF PERSONAL BEHAVIOR IN FAMILY BUSINESS

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Abstract

This article summarizes the preliminary findings of a research project of an exploratory nature currently being conducted by IESE's Family Business Chair into violations of ethics in Spanish family businesses.

The main results indicate that ethics violations are perceived to be most common in behaviors such as delaying succession, preventing the implementation of a strategy that would be beyond one's own capacities or ambitions, and building an organization by buying loyalty.

These types of behavior are perceived in different ways, depending on the age of the person who is judging them.

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ETHICS OF PERSONAL BEHAVIOR IN FAMILY BUSINESS

Introduction (1)

In the last ten years, intense research efforts have been made by the many institutions linked to family business. Prominent among them are the Family Firm Institute and the Family Business Network, whose work has given us a better understanding of the special characteristics of family business and has helped resolve problems.

As a result of these efforts, a large number of articles have been published commenting favorably on the extraordinary contribution that family firms have brought to society, among other things by creating jobs and producing wealth.

Nonetheless, there is at the same time a fairly widespread opinion regarding the way family firms operate. It is not very flattering and is made clear in the following remarks:

- "You know, 'A' is the typical family business where the owner does what he/she likes regardless of what anyone else might think."
- "In 'B', as in so many other family businesses, the most important thing is to keep the family happy."
- "Company 'C' needs to become more professional from top to bottom, or it will go the way of all family businesses."

These points of view appear to tie in directly with a recent report about university graduates' reluctance to consider joining a family firm. These graduates view family business as an unattractive career choice (Gallo and Cappuyns, 1996).

For those who work in family business, there is no doubt about the considerable progress that has been made in understanding this type of enterprise in the last ten years. Witness the forty issues of the specialized journal *Family Business Review* and the contents of the *Family Business Sourcebook* (Aronoff, Astrachan and Ward, 1996). Judging by these publications, however, and by the proceedings of the annual Family Firm Institute Conference and the Family Business Network Conference, work in the field of "family business ethics" is still in its infancy (Riemer, 1994; Adams, Taschian and Shore, 1996; Hoover and Lank,1997).

(1) The author would like to express his most sincere gratitude to Joseph Astrachan, Editor of *Family Business Review,* for his comments on the first version of this paper

This paper summarizes the preliminary findings of a research project currently being conducted by IESE's Family Business Chair. The goal is to understand the views of various groups of people regarding ethics violations in the workings of family firms.

The research presented here is of an exploratory nature, which is to say that it is not based on any pre-established hypothesis. Rather, it seeks to discover the areas where ethics violations are most strongly perceived, and possible differences of view among the groups of people studied.

The main results so far indicate that ethics violations are most commonly perceived in the following areas:

- delaying succession in order to hold on to power,
- preventing the company from adopting a genuinely challenging strategic plan that would be beyond one's own capacities and ambitions, and
- building an organization by buying loyalty.

These types of behavior are perceived very differently depending on the age of the person judging them.

The Study

Questionnaire

The research is based on information gathered by means of a closed questionnaire (Exhibit 1), in two parts.

As we know, opinions on family business vary according to the characteristics of the person offering them (Poza, Alfred and Maheshwari, 1997). For this reason, the first part of the questionnaire asks for personal details (age, sex, education, percentage shareholding in family business, etc.) and information about the way the company's capital is structured, the number of years it has been operating, and the sector it operates in.

Secondly, using a Likert scale of five columns, we asked about the frequency with which, in the respondent's experience, certain types of unethical behavior occur in family firms. The questions dealt with 33 behaviors, grouped around 5 basic topics:

> According to an opinion that has been voiced ever since the time of the early Greek philosophers, having money, owning the means that produce wealth or pleasure, and having the power to dictate the destiny of people or things are the most basic motivations of human beings. The first two topics of the questionnaire were therefore directly concerned with ownership and power.
>
> (1) Access to and transference of the owner’s capital.
> (2) Use of power in the company.
>
> The use of power in a company affects the strategic direction followed in areas such as growth or change versus continuity, long-term profits, etc. Or in building up the organization, selecting key personnel, and the manner of working with them. The next two topics in the questionnaire covered the following aspects:

(3) Strategic changes.
(4) The way the organization develops.

Finally, given that in a family business the owners have a very wide-ranging and intimate relationship with the company, a final topic was included in the questionnaire:

(5) Stockholder behavior.

The questionnaire did not cover other important areas such as relations with customers and suppliers, relationships with other employees, environmental concerns, fulfilment of other types of social responsibilities, etc. This was done firstly to keep the questionnaire to a manageable length, and secondly because conduct in these other areas tends to be more a result of teamwork among company directors and managers rather than of the actions of a single individual.

The questionnaire was tested and reformulated various times until it was easy to understand; as a result, very few questionnaires were declared invalid.

Sample group

The questionnaire was sent out in the first week of April 1998 to a sample group of about 1800 people made up of: 1) 1,367 owners and general managers of family businesses who have maintained contact with IESE's Family Business Chair over the last ten years; 2) members of the Instituto de Empresa Familiar, to which approximately 100 of the biggest Spanish family firms are affiliated; and 3) some 350 family businesses belonging to the four regional Spanish family business associations that have been most active in 1997.

Compared with the entire population of Spanish family businesses, one can safely say that this sample consists of relatively large, multi-generational businesses.

Two hundred and sixty-five questionnaires were returned; 5 of these were discarded as inconsistent and 7 for having been completed by people who were neither family members nor shareholders. Altogether, 253 questionnaires were accepted as valid, all being from people directly related to family firms, either as owners or as employees. This 13% response rate is in line with previous large-scale studies of family business such as the Mass Mutual/Arthur Andersen study (1997).

Sample

The first characteristic of the sample worth noting is the small proportion of women (22%), which will make it difficult to analyze differences in perception according to sex. Given that the mailing of the questionnaire was indiscriminate, it may well be that this low representation reflects the low participation of women in the governance, or management of Spanish family businesses.

The average age of those who answered (46), as well as the fact that more than 80% (Table 1) are over 35 years old, indicates that the sample is made up mature adults whose values and scruples are already formed and whose behavior patterns are likely to be quite stable.

The fact that 84% of the sample have university degrees may well imply that, having been through the halls of higher learning, they have had the opportunity to analyze other points of view, compare and contrast opinions, and achieve a heightened knowledge of ethical principles.

Table 1
Age

Age	Number	Percentage
Under 35	45	18
35-44	80	32
45-54	58	24
55-65	51	23
Over 65	19	3
Total	253	100

Coupled with age and education, the characteristics of the position held (Table 2) indicate that the individuals in the sample have a good understanding of what goes on in their company and have the information required to evaluate the kind of personal behavior that is the subject of the second part of the questionnaire. Seventy-three percent (24% + 17% + 13% + 19%) are members of the Board of Directors and/or CEOs of their company. Thirty-six percent (17% + 19%) function as CEOs of their company –one of the most influential positions.

Table 2
Position in the Family Business

Position	Number	Percentage
Member of Board of Directors	59	24
Member of Board of Directors and Chief Executive Officer	44	17
Member of Board of Directors and Manager	33	13
Chief Executive Officer	49	19
Manager	52	21
Other	10	4
None	6	2
Total	253	100

The data on capital structure given in Table 3 below help support the idea that those who answered the questionnaire have a good understanding of the kind of situation described in the second part of the questionnaire. In fact, 61% (14% + 6% + 41%) have a holding large enough to warrant their having ample information about the company's performance.

Table 3
Capital Structure

Percentage of shares owned or represented		Number	Percentage
Over 50%		36	14
50%		15	6
Between 5% and 49%	No Stockholder >50%	104	41
	One Stockholder >50%	16	6
Under 5%		43	17
Not a Stockholder		39	16
Total		253	100

Finally, the fact that only 11% are first-generation family businesses (Table 4) would indicate that, in most cases, those who answered the questionnaire probably know how their company has performed over an extended period of time.

Table 4
Generations

Last Generation Incorporated	Number	Percentage
First	28	11
Second	111	44
Third	78	31
Fourth	28	11
Fifth or more	8	3
Total	253	100

Results

Perceived Unethical Behavior: Frequency

The answers to each of the 33 questions in the second part of the questionnaire have been weighted according to the frequency with which ethics violations were perceived to occur in each type of behavior. A five-point scale is used: Very high frequency = 5, High = 4, Medium = 3, Low = 2, Very low = 1.

Table 5 shows the median frequency for each behavior. These medians clearly fall into three groups. "Delaying succession" stands out on its own, with a "high" (4 points) median frequency. In other words, the number of people who perceive a "very high" frequency of ethics violations in this area is equal to the number of those for whom the frequency is "medium", "low" or "very low".

Second, with a "medium" frequency (3 points), comes a group of eight types of behavior. The first three are: 3.1 - "Preventing the necessary development, growth and change in the company", 3.2 - "Putting the company 'on automatic pilot', leaving it to carry on 'as usual' in order to be able to devote more time to other things", and 3.3 - "Preventing others from contributing with their opinions to strategic analysis and decision making". They all have to do with preventing whoever is responsible for the company's strategic plan from seeing it as an important and demanding challenge. Three other types of behavior are: 4.1 - "Appointing incompetent people to important posts (nepotism)", 4.2 - "Unfair or inadequate compensation", and 4.3 - "Favoritism and discrimination". These all have to do with the person in power being surrounded by people who will allow that person to "do whatever he or she likes". The last two behavior types in this second group (2.2.4 - "Boosting personal prestige and status" and 5.6 - "Appropriating company funds") are specific examples of using the company for one's own benefit.

Thirdly, there is a large group of 24 behaviors (73% altogether) with *low* median frequency (in other words, the number of people who perceive a "very low" frequency is equal to the number of those who perceive a "medium", "high" or "very high" frequency).

Because the questionnaire was made up of five different groups of questions, there is a risk that those who answered may have misinterpreted the question groupings. The cross-tab analysis of the questions in each group turned out to be significant in all cases (> 0.7).

On the other hand, it is important to emphasize that the lowest *averages* among the frequencies below 2.1 points correspond to behaviors that: 1) Are described using terms such as "deny", "defraud", "deceive", "reveal", "falsify" or "demand", and are therefore readily identified with unethical behavior; 2) Are commonly regarded as ethics violations; 3) Concern issues that are clearly established responsibilities in company law, criminal law and legal practice; (1.1.1 - Forcing property rights from other people, 1.2.1 - Defrauding legitimate heirs, 2.1.1 - Deceiving those entitled to hold power, 4.8 - Revealing confidential information, 4.9 - Witholding or falsifying information, 5.2 -Obliging the company to pay dividends that have not been not earned, 5.4 - Demanding information to which they are not entitled).

Table 5
Median and Average frequency of ethics violations in each type of behavior

Question		**Median**	**Average**
1.1.1	Force property rights from other people	2	1.8
1.1.2	Valuing shares incorrectly	2	2.4
1.2.1	Defrauding legitimate heirs	2	1.7
1.2.2	Creating an ownership structure that makes governance of the company difficult	2	2.4
2.1.1	Deceiving those entitled to hold power	2	1.8
2.1.2	Threatening from a position of strength, backed by a large equity stake, confidential information, etc	2	2.2
2.1.3	Using delaying tactics to prevent others from gaining power	2	2.4
2.2.1	Promoting personal financial interests at others' expense	2	2.3
2.2.2	Adopting strategies that entail serious risks for others	2	2.2
2.2.3	Satisfying personal preferences to the detriment of others	2	2.5
2.2.4	Boosting personal prestige and status	3	2.8
3.1	Preventing the necessary development, growth and change in the company (by staying in mature businesses, not diversifying, etc.)	3	2.8
3.2	Putting the company on "automatic pilot", leaving it to carry on "as usual", so as to be able to devote more time to other things	3	2.6
3.3	Preventing others from contributing with their opinions to strategic analysis and decision making	3	3.0
3.4	Neglecting the interests of future generations	2	2.5
4.1	Appointing incompetent people to important posts (nepotism)	3	2.8
4.2	Unfair or inadequate compensation	3	2.8
4.3	Favoritism and discrimination	3	2.7

Table 5 (continued)

Question		Median	Average
4.4	“Buying” or controlling managers through compensation, threats, etc.	2	2.2
4.5	Blocking the careers of capable managers	2	2.4
4.6	Delaying succession processes	4	3.3
4.7	Devoting too little time to the company	2	2.3
4.8	Revealing confidental information	2	2.0
4.9	Withholding or falsifying information	2	2.1
4.10	Unjustified expenses	2	2.5
4.11	Unnecessary luxury in company offices	2	2.2
5.1	Alliances among some shareholders at the expense of others	2	2.3
5.2	Obliging the company to pay dividends that have not been earned	2	2.1
5.3	Demanding favours contrary to the interests of the company	2	2.3
5.4	Demanding information to which they are not entitled	2	2.1
5.5	Making inappropriate personal use of company assets	2	2.5
5.6	Appropriating company funds	3	2.9
5.7	Imprudently failing to exercise shareholder rights	2	2.4

Age Factor

So far, analyses aimed at discovering the influence that a person's characteristics have on his/her perception of ethics violations have indicated that the most significant variable is *age*. Statistically significant relationships have also been found with "Education" and "Capital structure".

If we break the sample of 253 people down into two groups according to age, we find significant differences in the medians (Table 6). One group consists of 125 people under the age of 45, and the other, of 128 people over the age of 45. Table 6 shows the median frequency with which each behavior is perceived by the two groups.

People in the under -45 age group perceive a *high* frequency of ethics violations in "delaying succession processes" (question 4.6), whereas for those aged 45+ the perceived frequency is *medium*. The younger group also perceive a *medium* rather than a *low* frequency in the other five behaviors shown in the table. It may be that all of these are related to their future position as managers of the family business.

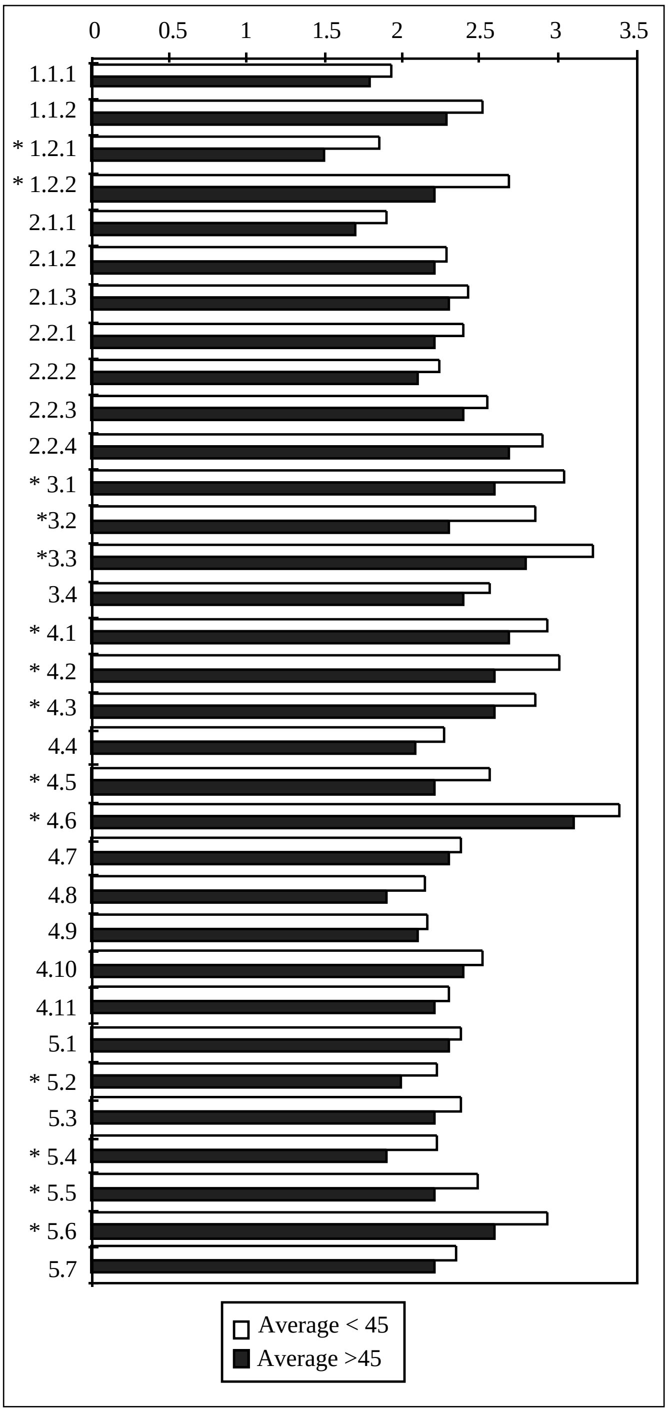
Table 6
Changes in perceived frequency of ethics violations according to age

Behavior		Median Frequency	
		Under 45	**Over 45**
4.6	Delaying succession	High	Medium
1.2.2	Creating an ownership structure that makes governance of the company difficult	Medium	Low
3.2	Putting the company on “automatic pilot”, leaving it to carry on “as usual”, so as to be able to devote more time to other things	Medium	Low
3.4	Neglecting the interests of future generations	Medium	Low
4.5	Blocking the careers of capable managers	Medium	Low
4.10	Unjustified expenses	Medium	Low

Lastly, the younger group perceive a greater lack of ethics in the two points relating to capital ownership. In "Valuing shares incorrectly" (question 1.1.2), they rated ethics violations at a *medium* frequency as opposed to *low*. And in "Defrauding legitimate heirs" (question 1.2.1), they rated the frequency as *low* as opposed to *very low.*

An analysis of the *averages* with statistically significant differences (Table 7) shows us that the younger members of the sample are much more critical in making ethical judgments of behavior. They attribute a higher frequency than the older group to ethics violations in the failure to develop a strategy for the future (questions 3.1, 3.2 and 3.3), the failure to build an effective organization (questions 4.1, 4.2, 4.3 and 4.5), attempts to delay succession (question 4.6), use of the company for personal benefit (questions 5.2, 5.4, 5.5 and 5.6), and transference of ownership to the next generation (questions 1.2.1 and 1.2.2).

Table 7
Average perceived frequency of ethics violations in each type of behavior, according to respondents' age



Question	Average <45	Average >45
1.1.1	1.9	1.8
1.1.2	2.5	2.3
1.2.1	1.8	1.5
1.2.2	2.7	2.2
2.1.1	1.9	1.7
2.1.2	2.3	2.2
2.1.3	2.4	2.3
2.2.1	2.4	2.2
2.2.2	2.3	2.1
2.2.3	2.5	2.4
2.2.4	2.9	2.7
3.1	3.1	2.6
3.2	2.9	2.3
3.3	3.2	2.8
3.4	2.6	2.4
4.1	3.0	2.7
4.2	3.0	2.6
4.3	2.9	2.6
4.4	2.3	2.1
4.5	2.6	2.2
4.6	3.4	3.1
4.7	2.4	2.3
4.8	2.2	1.9
4.9	2.2	2.1
4.10	2.5	2.4
4.11	2.3	2.2
5.1	2.4	2.3
5.2	2.2	2.0
5.3	2.4	2.2
5.4	2.2	1.9
5.5	2.5	2.2
5.6	3.9	2.6
5.7	2.4	2.2

(* With 95% confidence interval, $p < 0.05$.)

Observations

Power is absolutely necessary in order to manage a business. As such, in and of itself, it cannot be deemed either good or bad; the judgment will apply rather to the purpose power is made to serve and the way it is wielded.

When a company fulfils all of its social responsibilities, those who govern and manage it can be said to have made good use of their power. However, when a company fails to fulfil its social responsibilities and this failure is not due to outside factors such as unforeseeable circumstances, there is reason to suppose there has been some misuse of power. On occasion, such misuse may be the result of an ignorance which those who govern and manage the company have been unable to overcome. On other occasions, there is abuse of power because they have not wanted to solve a problem about which they themselves lacked the necessary knowledge, or because they have knowingly made a bad decision.

In a good number of family firms, the risk of misuse of power is higher because the person or persons who own the business also run it. The power to control the company is given to the owners by law, and the power to run the company is given to the managers by the owners. In family businesses, a risk arises because the person or persons in power do not have to measure their decisions against feedback from other people. Also, the risk of an abuse of power is greater because those in charge do not have to account to anyone for their decisions. They are in a position to act like one who "does what he likes with what he owns". In these cases, ethics violations can come about because the owners forget that the company, as an "organized community of people", is much more that its owners, and that those who control and run the company have responsibilities towards the people who work in it, as well as towards customers, suppliers, other institutions, and society in general.

Besides the fact that in many family businesses owner and manager are one and the same, it is also the case that the owner has often been at the helm, or has held key responsibilities, uninterruptedly for many years. These owner-managers often end up convinced of their own infallibility; they cannot imagine any possible decline in their managerial abilities; they may even behave as if they were going to live for ever.

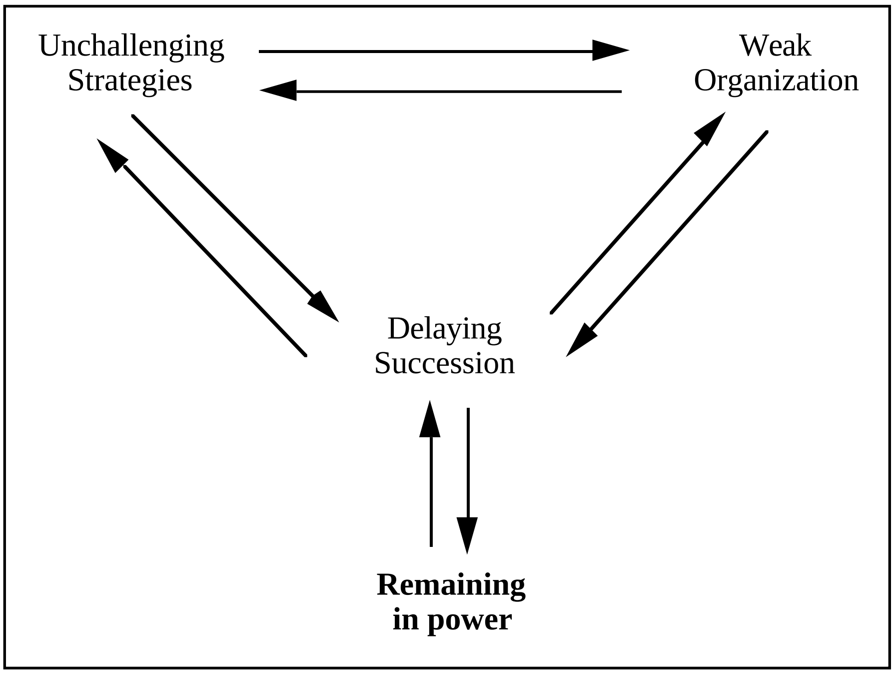
There is no doubt that delaying succession unnecessarily is an ethics violation. It harms the successor, other members of the organization, and the family. It also puts the company's long-term future at risk.

Similarly, there is no doubt that impeding the development of the company by putting it on "automatic pilot" or by leaving it in a dangerously mature industry is an ethics violation. As a result of such behavior the owners are liable to lose capital; managers and workers, their jobs; and other parties will suffer too.

There is no doubt that giving management responsibilities to a person incapable of handling them is unethical. The damage that his/her incompetence causes may hurt others.

According to the preliminary results of our research, the perceptions of those directly involved in family business –as owners or as managers– regarding the frequency of unethical behavior indicate that such behavior is most common in relation to gaining and maintaining power (Figure 1).

Figure 1



In fact, "delaying succession", perceived to be the commonest form of unethical behavior, is directly related to the temptation for an owner-manager to *hold on to power.* The argument can be summed up as follows: "If I delay succession, I can hold on to power; and if I hold on to power I can delay succession!"

"Delaying succession" is also doubly related to the company's strategy becoming an "unchallenging strategy", another commonly perceived form of unethical behavior. In this case the argument may well be that: "If I'm not sufficiently highly qualified or motivated, I must devise an undemanding strategy. If the strategy is undemanding and key members of the organization do not argue with it, nobody will doubt that I'm fully capable of carrying it out."

"Delaying succession" and formulating an "unchallenging strategy" are again doubly related to having a "weak organization" made up of incompetent managers or of managers whose hands are tied because their loyalties have been bought with favors and money. Such managers will only be good for implementing an "unchallenging strategy", and will not be opposed to "delaying succession".

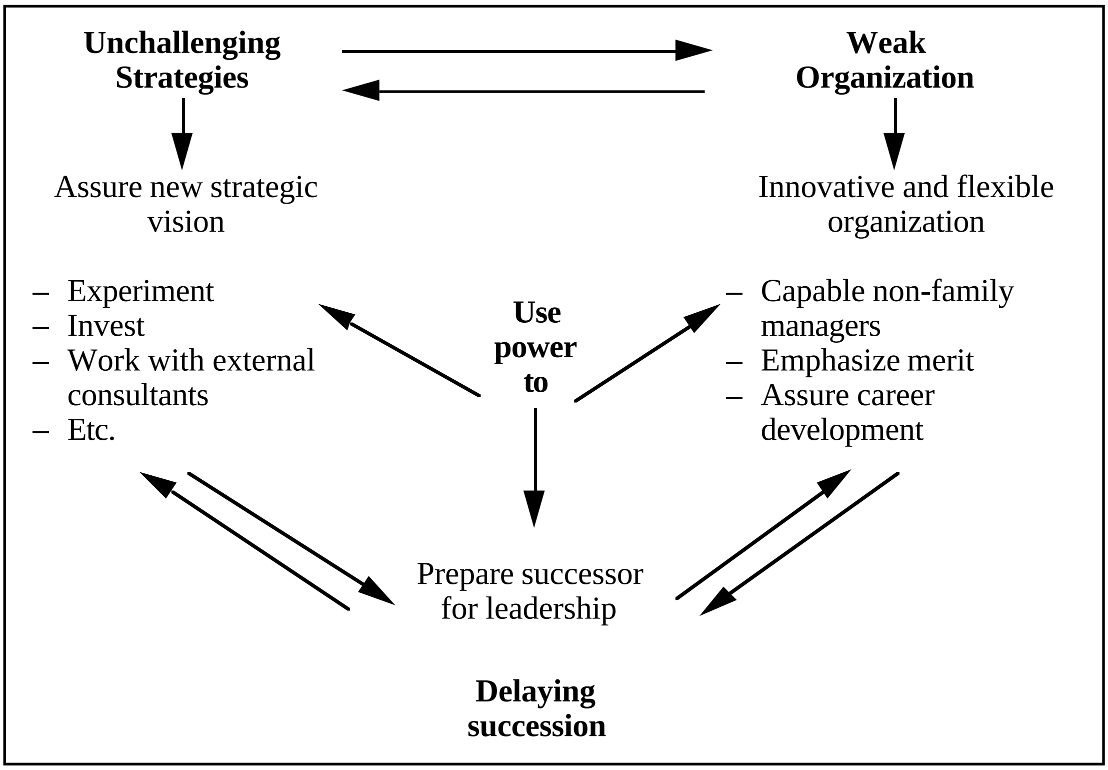
The logic that links these commonly perceived forms of unethical behavior is further highlighted by the observation that power is often used to enhance personal status and to pass on family expenses to the company.

It is no wonder that younger people should be quite a bit more critical. Unlike their elders, they do not usually hold positions of great power; they also suffer more directly the consequences of their older colleagues' ethics violations.

Sometimes, those who wield power do not communicate the reasons for many of their actions to the younger members of the family. When there is a lack of communication, those who have the least power can only invent explanations. If certain decisions are to their detriment, they are likely to attribute them to bad intentions and will tend to see the actions as somewhat unethical (1).

The way to raise ethical standards in these areas has to be by applying some of the "best practices" described by Professor Ward (1997). The management will then strive to maintain a constant strategic challenge, keep the organization innovative and flexible, and make the company a school for leaders (Figure 2).

Figure 2



The above statement is supported by the results of a recent study that seeks to identify the reasons for the success of a sample of 25 of the top family businesses in Spain from 1972 to 1997 (Cappuyns, Gallo and Vilaseca, 1998). In this study, it is found that all of these businesses exhibit five values whose names form the acronym ELISA. The first three –Exigency, Laboriousness, and Initiative– are clearly contrary to an "unchallenging strategy" and a "weak organization". The last two –Simplicity and Austerity– are clearly contrary to the use of power for personal gain and status, or the passing on of family expenses to the company.

As the areas where unethical behavior is seen to be least frequent are those where violations are easiest to see or are governed by criminal and company law, the owner-managers of family firms should be encouraged to commit themselves regarding the way they plan to use their power. This can be done by drawing up an explicit strategic plan, policies on succession and crisis management, rules and regulations for the board of

(1) The comments made in this paragraph correspond directly to a suggestion made by Professor Astrachan.

directors, codes of behavior, family protocols, etc. The owner-managers should also be encouraged to establish a system of checks and balances to control the way they use their power (internal and external audits, formal evaluation and compensation systems, boards of directors, family councils, etc.).

The next step in this research project will be to study the way perceptions differ depending on the characteristics of the individuals who answer the questionnaire. Initially, there are two characteristics that would seem particularly interesting in view of the changes that most family businesses go through. The first concerns the influence of the type and level of education: people have more and more opportunity to study, and the store of available knowledge about family business is growing steadily. The second has to do with the company's capital structure: today there are more second and third-generation family businesses that have opened up to outside investors or have gone public.

After this we shall investigate the opinion of various groups of people who neither own family firms nor work in them, such as managers in non-family firms, lawyers, tax accountants, bankers, consultants, and civil servants, the idea being that it will help those who own or work in family businesses to know how other people judge their behavior.

Finally, two suggestions: The first has to do with the fact that in some countries family firms receive government support. If these companies do not strive for ethical excellence in all their activities, they run the risk of being called to account by means of ever more stringent regulations. The second is that family business consultants should be encouraged to make in-depth studies of the problems of "delaying succession", "unchallenging strategy" and "weak organization", and should be "demanding with their clients in helping them embark upon and successfully complete the necessary change".

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Exhibit 1

CATEDRA EMPRESA FAMILIAR

ETHICS IN FAMILY BUSINESS: QUESTIONNAIRE

Basic Data

1 Age ☐ Gender [M] [F] Education ____________________________

2 **Your position in the family business**

☐ Board of Directors ☐ Manager ☐ None
☐ Chief Executive Officer ☐ Other

3 **Are you a Shareholder?**

☐ Yes ☐ No

4 **What percentage of Equity do you own or represent?**

☐ Less than 5% ☐ 50%
☐ Between 5% and 49% ☐ More than 50%

5 **Is there a shareholder that owns more than 50%?**

☐ Yes ☐ No

6 **Does the company have shareholders who are not family members?**

☐ Yes ☐ No

7 **Approximately what percentage of the capital do they own?** [%]

8 **Last generation already incorporated in the family business:**

☐ First ☐ Fourth
☐ Second ☐ Fifth or more
☐ Third

9 **Main sector of activity is:** [ ]

Exhibit 1 (continuated)

Behaviors and their frequency

How common, in your experience, are the following types of unethical behavior in family businesses?
(The columns indicate the level of frequency. Please put a cross in the appropriate column.)

	Very high	High	Medium	Low	Very low
1 Ownership of capital					
1.1. Ways of obtaining ownership:					
1.1.1. By forcing property rights from other people	☐	☐	☐	☐	☐
1.1.2. By valuing shares incorrectly	☐	☐	☐	☐	☐
1.2. Ways of transferring ownership:					
1.2.1. By defrauding legitimate heirs	☐	☐	☐	☐	☐
1.2.2. By creating an ownership structure that makes governance of the company difficult	☐	☐	☐	☐	☐
2 Power					
2.1.Ways to gain power:					
2.1.1. By deceiving those entitled to hold power	☐	☐	☐	☐	☐
2.1.2. By threatening from a position of strength backed by a large equity stake, confidential information, etc.	☐	☐	☐	☐	☐
2.1.3. By using delaying tactics to prevent others from gaining power	☐	☐	☐	☐	☐
2.2. General ways of using power:					
2.2.1. Promoting personal financial interests at others' expense	☐	☐	☐	☐	☐
2.2.2. Adopting strategies that entail serious risks for others	☐	☐	☐	☐	☐
2.2.3. Satisfying personal preferences to the detriment of others	☐	☐	☐	☐	☐
2.2.4. Boosting personal prestige and status	☐	☐	☐	☐	☐
3 Business strategy					
3.1. Preventing the necessary development, growth and change in the company (by staying in mature businesses, not diversifying, etc.)	☐	☐	☐	☐	☐
3.2. Putting the company on "automatic pilot", leaving it to carry on "as usual", so as to be able to devote more time to other things	☐	☐	☐	☐	☐
3.3. Preventing others from contributing with their opinions to strategic analysis and decision making	☐	☐	☐	☐	☐

Exhibit 1 (continued)

	Very high	High	Medium	Low	Very low
3.4. Neglecting the interests of future generations	☐	☐	☐	☐	☐
4 Company organization					
4.1. Appointing incompetent people to important posts (nepotism)	☐	☐	☐	☐	☐
4.2. Unfair or inadequate compensation	☐	☐	☐	☐	☐
4.3. Favoritism and discrimination	☐	☐	☐	☐	☐
4.4. “Buying” or controlling managers through compensation, threats, etc.	☐	☐	☐	☐	☐
4.5. Blocking the careers of capable managers	☐	☐	☐	☐	☐
4.6. Delaying succession processes	☐	☐	☐	☐	☐
4.7. Devoting too little time to the company	☐	☐	☐	☐	☐
4.8. Revealing confidental information	☐	☐	☐	☐	☐
4.9. Withholding or falsifying information	☐	☐	☐	☐	☐
4.10. Unjustified expenses	☐	☐	☐	☐	☐
4.11. Unnecessary luxury in company offices	☐	☐	☐	☐	☐
5 Shareholders					
5.1. Alliances among some shareholders at the expense of others	☐	☐	☐	☐	☐
5.2. Obliging the company to pay dividends that have not been earned	☐	☐	☐	☐	☐
5.3. Demanding favours contrary to the interests of the company	☐	☐	☐	☐	☐
5.4. Demanding information to which they are not entitled	☐	☐	☐	☐	☐
5.5. Making inappropriate personal use of company assets	☐	☐	☐	☐	☐
5.6. Appropriating company funds	☐	☐	☐	☐	☐
5.7. Imprudently failing to exercise shareholder rights	☐	☐	☐	☐	☐

Thank you for your cooperation

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