

Family Governance for The Hullworth Corporation

The Hullworth Corporation, manufacturers of mobile games, is about to enter its 6th generation as a family enterprise. Located in the mid-west, where six generations have lived, the business reflects the family's values. Enormous pride, hard work, ingenuity, attention to detail, patient capital, an employment opportunity for all family members, and seeing the business as a legacy more than as an asset are among the family and business core values.

The current generation (G6) of owners, in their forties and fifties are the offspring of two G5 siblings. There are 15 G7s in the wings. Three of the owners currently work in the business in less than management positions.

The CEO is currently a non-family member, the first in the history of the company. The prior CEO, Theo, died unexpectedly a few months ago. The company has an 8-member board of directors, a majority of whom are non-family members with solid expertise in marketing and finance. Over the years, the company has morphed from farming to plastics to toys to mobile games. The mobile game business is seen to be past its peak. Competitors, in their struggle to survive, are either buying up one another or moving in a different strategic direction.

Theo was more than the CEO, he was the innovator and heart and soul of the company and default head of the family as well. The Family Council is made up shareholders and their spouses and makes decisions as though it were just the shareholders.

At the annual meeting, next month, of both the Hullworth Family Council (HFC) and the board of directors, some major challenges are at hand. First is the election of a family board member to replace Theo and two of the three family members working in the business are vying for this position as well as a family member who is a former employee. The second major challenge is the direction of the business. This challenge has two parts. In Theo's absence, no one appears ready to step up and provide strategic leadership and there is disagreement about the strength of the company's balance sheet and hence its ability to take risk.

As family business consultants, charged with addressing family governance issues, we're preparing our own strategy to facilitate these meetings.

What should we consider?

Which decisions are the HFCs?

Which decisions are the board of directors?



David M. Karofsky 17
Gryzboska Circle
Framingham, MA 01702

P 508.875.7751

M 617.699.7899

karofsky@thefbcg.com

thefbcg.com