Press release

Contact Deloitte: Isabel Box
Press & Communications
Tel: + 32 2 302 25 51
Mobile: + 32 485 31 79 63
Email: ibox@deloitte.com

Contact Vlerick: Patricia Rousseau
Press & Communications
Tel: + 32 9 210 92 05
Email: patricia.rousseau@vlerick.com

Young Belgian growth companies should pay more attention to their governing bodies

In the Rising Star Monitor, Deloitte and Vlerick Business School reveal that only 8% of young Belgian companies have Advisory Boards, and one in five have Boards of Directors

Brussels - 14 November 2019

A company's Advisory Board and Board of Directors can have significant impacts on its performance. However, not so many young Belgian companies with growth potential have such governing bodies. Only 8% have Advisory Boards, and one in five have Boards of Directors. Although the compositions of the Boards of Directors are relatively diverse and complementary, only one in five has independent directors. Moreover, only 16% have a female presence; compared to the US (37%) or the UK (47%), women are under-represented on Belgian Boards of Directors. On the positive side, the Boards of Directors meet much more frequently than is generally recommended, which means that these young growth companies fully exploit their expertise.

These are the main conclusions of the fourth edition of the Rising Star Monitor, a study by Vlerick Business School, Deloitte Belgium and PMV into the trends and challenges of 173 young Belgian companies with growth potential. This year, the Rising Star Monitor focussed on the corporate governance of these young companies. **Sam Sluismans, Partner at Deloitte Belgium**: "*The fourth edition of the Rising Star Monitor aims to help founders of young, ambitious companies to find their way around important questions that arise during the start-up phase. Therefore, this study provides an understanding of the behaviour of technology starters with high growth potential. The Rising Star contest of Deloitte's Technology Fast 50 - where young companies pitch their stories - also provides valuable insights every year so companies can be better supported.*"

The advantages of governing bodies are often overlooked

Only 8% of the sampled companies have Advisory Boards. Although it is not legally required, an Advisory Board can play an essential role as a sounding board. The members can make non-binding recommendations to encourage the entrepreneur to regularly consider the company's long-term direction and strategy. On the positive side, almost 40% of the growth-oriented companies that do not yet have an Advisory Board are planning to set one up in the future. For companies with lower growth ambitions, this figure is only 10%.

Although they are in the minority, more of the sampled companies, namely one in five, have Boards of Directors. For those without Boards of Directors, we see the same trend as those without Advisory Boards: it is the companies with high growth ambitions (39%) that indicate they want to set up Boards of Directors in the future.

According to **Veroniek Collewaert, Professor of Entrepreneurship at Vlerick Business School**, these low figures are probably due to a combination of factors: "*Setting up an Advisory Board or Board of Directors does mean giving away some control to others or allowing a certain amount of outside interference, which is what founders are not always keen to do. Moreover, a Board of Directors also has legal implications. Besides, our sample covered very young companies that are two years old on average. Most of them have not yet raised any external funding and have limited growth ambitions. All in all, this means that many of these young companies just do not yet feel that they need another governing body.*"

External directors are diverse and complementary but not independent enough

On the positive side, the composition of both the Advisory Boards and the Boards of Directors is relatively diverse and complementary. On average, the Advisory Boards of the sampled companies have three members—a CEO of another company, someone with specific sector experience, and someone with a more academic profile. The average Board of Directors consists of four members, usually two internal and two external directors. 70% of young companies with growth potential have at least one external director. Externals are generally representatives of investors, CEOs, or people with industry experience.

However, some focus areas should not be overlooked. Only one in five Boards of Directors with external directors have truly independent directors (i.e. without any affiliation to the company). Moreover, only 16% of the Boards of Directors have a female presence; compared to the US (37%) or the UK (47%), women are under-represented. More than one in three Boards of Directors also suffers from so-called 'CEO duality', which means that the CEO of the company is also the chair of the Board of Directors.

Collewaert: "*As the role of a Board of Directors is both advisory and controlling, it is essential to include an independent voice. This will avoid potential conflicts between the company's general interests and personal interests. Apart from that, it is also important to avoid CEO duality. Although a CEO might like to keep the power in their own hands, they should also realise that external parties often take a negative view of this. For example, it could have an adverse impact on valuation. Furthermore, the Buysse Code advises against it.*"

Boards of Directors meet more often than recommended

Companies operating as a Public Limited Company (NV) say that their Boards of Directors meet nine times a year, which is twice the required minimum. Typically, this comprises five traditional meetings of the Boards of Directors and four additional brainstorm meetings. "*It means they meet almost once a month, which is quite intensive. It shows that these growth companies really do use their Boards of Directors,"* says **Veroniek Collewaert**.

Moreover, 90% of those surveyed indicated that, besides the official meetings, they also touch base with the external board members at least once a month, and 20% even do so twice a week. "*The interaction between the CEO and the Board of Directors is essential. Board members should not only exercise control but also assist the entrepreneur with advice and think with them about the long-term strategy. Therefore, communicating frequently is a very positive thing, especially in the young companies in our study where things can often change very quickly,*" concludes **Sluismans**.

About the Rising Star Monitor

This fourth edition of the Rising Star Monitor consists of a sample of 173 young Belgian companies with growth potential in various sectors. Together this comprises 233 founders. The companies in question are two years old on average. Although these start-ups have a great deal of growth potential, only 42% have real growth ambitions. Therefore, the study distinguishes between companies with low growth ambitions and those with high growth ambitions.

The Rising Star Monitor is part of Entrepreneurship 2.0. With this initiative, Vlerick Business School, Deloitte Belgium and PMV want to gain vital knowledge about the main difficulties that young companies with growth potential face in Belgium. Entrepreneurship 2.0. also organises knowledge and community programmes for entrepreneurs facing significant scale-up challenges, such as Scale-up Masterclasses (www.scaleupmasterclass.com).

More information can be found on www.vlerick.com/risingstarmonitor

Deloitte in Belgium
Deloitte Belgium has more than 4,400 employees and 12 offices, making it the country's largest organisation in the field of audit, accounting, legal and tax advice, consulting, financial advisory services and risk advisory services.

We focus our services on the largest national and international companies as well as SMEs, the public sector, and non-profit organisations. Deloitte Belgium is an independent and autonomous organisation and a member firm of Deloitte Touche Tohmatsu Limited. Deloitte Belgium realised a 565 million euro turnover for the financial year 2019.

Deloitte Belgium CVBA is the Belgian affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited that focuses on providing professional services and advice of the highest quality. These services are based on a global strategy for more than 150 countries. For this purpose, it can draw on the expertise of more than 312,000 professionals on all continents. The turnover for the 2019 financial year was over 46.2 billion US dollars.