Spotlight
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Does the board really run a family firm, or do the functions happen elsewhere?

In four Swedish family firms, real governance often happened away from the boardroom

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Most advice to family firms about their boards points in one direction: make the board more active, bring in independent directors, formalise the process. The assumption underneath is that the board is where governance lives. A study of four medium-sized Swedish family firms challenges that assumption head-on. When the researchers followed where monitoring, advising, deciding and conflict resolution actually happened, the boardroom turned out to be one venue among several — and often not the busiest one.

The firms ranged from a small 80-year-old manufacturer with a five-person "paper board" to a 450-employee group spanning construction and retail. In each, the work we associate with boards was scattered across management meetings, casual conversations, and even family holidays abroad. That scattering was not dysfunction. In most cases it was a deliberate, rational way of governing.

WHAT WE STUDIED

Jenny Ahlberg, Sven-Olof Yrjö Collin, Elin Smith and Timur Uman used a method they call structured induction across four cases. They began with a clear idea of what boards are supposed to do, then went looking for those activities wherever they occurred — instead of assuming they occurred at board meetings.

They worked with four board functions drawn from governance research: monitoring (overseeing managers and finances), resource provision or service (advice, contacts, legitimacy), decision-making (shaping strategy), and conflict resolution (settling disputes among owners and managers). For each firm they gathered ten years of annual reports, news coverage and websites, then ran interviews — 27 in all, lasting from 30 minutes to two and a half hours, with owners, family members across generations, and non-family directors and managers. Two researchers sat in on every interview and compared their readings afterwards.

They then mapped each function onto the arena where it actually took place. Four arenas surfaced from the data: the board, top-management-team meetings, spontaneous conversations, and family gatherings.

KEY INSIGHTS

The board is only one arena — and rarely the busiest

Across all four firms, the one function the board reliably performed itself was monitoring. In the weakest case that meant little more than the auditor presenting the accounts once a year. Decision-making, advice and conflict resolution were happening elsewhere. In one firm, two brothers closed a business deal over coffee; the chair found out from the local paper and phoned to remind them that strategy was meant to run through the board. In another, strategy took shape on family trips abroad, where the owners could talk without an audience.

Independent directors often serve the owners, not the firm

Two of the four firms had non-family directors. In both, those directors worked less for the company and more for the owners — offering a sounding board, lending legitimacy with banks and other stakeholders, and in one case quietly disciplining the owning brothers' entrepreneurial impulses. The authors call this bidirectional governance: the people normally assumed to be governed by owners end up governing them in return. That is a direct challenge to the textbook agency view, in which authority flows tidily from owners to board to chief executive.

Family structure shapes governance — the authors call it kin strategy

The study's most original idea is kin strategy: how a family manages the number of its members actively involved in the firm. One firm had defused conflict over the years by having several siblings step away from ownership and work, leaving two aligned owners. Another, with three active brothers, built a dedicated arena — the annual family trip — to absorb tensions that would otherwise reach the boardroom. The familiar assumption that conflict rises automatically with each new generation did not hold. What mattered was how each family chose to structure involvement. This is the most practically useful idea in the paper, and the one advisers are least likely to raise.

The board still resolves conflict — just not at the table

None of the four boards actively negotiated disputes. Yet simply having a board still performed a conflict-resolution function: it pushed families to settle disagreements beforehand so they could present a united front to outside directors. Here the board worked as a deadline and a discipline, not a negotiating table.

TAKEAWAYS

For owners and advisers, the practical message is to stop using board activity as the scorecard for good governance. Advisers who treat a quiet board as a problem to be fixed risk solving the wrong thing.

- Map where the four functions — monitoring, advice, decisions, conflict resolution — actually happen in your firm today. The honest answer is often "not the board".
- Treat the board as one instrument among several. Sometimes the wise move is to keep decision-making out of it, especially when an older generation on the board would slow or complicate choices.
- Count the cost of every governance mechanism. As the authors put it, there is no sense in building more governance machinery than a firm actually needs.

IMPACT

The finding has an edge for policymakers and the consulting industry. Pressure to install active boards and independent directors is strong and increasingly written into governance codes and law. This study suggests that pressure can backfire: forcing an independent director onto a family board may simply push decision-making out of the board and into the café, preserving family control while satisfying the letter of the rule. One firm changed banks rather than accept a bank-nominated director — a reminder that families will route around governance they did not ask for.

The authors are careful about scope. This is four medium-sized Swedish firms, studied inductively, so the conclusions are propositions to test rather than settled laws. The conflict-avoidance they observed may partly reflect Swedish business culture, and larger firms under stronger institutional pressure might concentrate more functions in the board. Even so, the core reframing travels well: ask where governance happens, not whether the board looks busy.

RECOMMENDATIONS

1. Audit where each board function currently happens before changing anything about the board itself.
2. If you are considering an independent director, decide whether the job is to serve the firm or to advise and steady the owners — then recruit for that.
3. Use ownership and involvement deliberately. Clear decisions about who is in and who is out can prevent conflict more effectively than board reform.
4. Create a fit-for-purpose arena for difficult family conversations — a family council or a regular off-site — so disputes need not surface in the boardroom.
5. Resist professionalisation for its own sake. Add governance machinery only where a function is genuinely missing, not because a code or a consultant says you should.

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