Beyond the Kitchen Table: When Family-Only Governance Stops Being Enough

When the old model stops working...

For many family business owners, the idea of bringing in outsiders can feel unnecessary at best and intrusive at worst. If trust, speed, and close family control built the business, why complicate things by inviting outsiders into the room?

That question becomes real when the old way of making decisions starts to strain. A founder steps back, ownership expands, growth outpaces informal governance, or a lender starts asking harder questions. What once felt like strength, speed, trust, and close control no longer feels sufficient on its own.

Family businesses face a distinct challenge: ownership, management, and family relationships often overlap, blurring the line between business priorities and family dynamics. An independent board can help bring greater clarity, accountability, and outside perspective.

To understand what prompts family businesses to make that shift, we interviewed leaders in family-controlled companies who added independent directors and evolved their board structures over time. These organizations spanned multiple industries, ranged from $300 million to $5 billion in revenue, and were led by families from the second through the fifth generation. While each governance journey was different, several common patterns emerged.

To respect the confidentiality of the companies and families involved, the examples and anecdotes that follow have been anonymized and synthesized.

Inflection Point 1: When strategy demands a wider lens

"We needed differentiated thinking."

For some families, the push begins when strategy changes and the existing circle no longer provides a broad enough range of perspective.

In one example, a company that historically operated as a cooperative-style holding structure began reevaluating their long-term strategy. The organization had traditionally focused on supporting its ownership base, but as competition intensified, leadership recognized the need to build enterprise value more deliberately.

This led the company to step back and rethink its strategy with outside help. Through that process, leadership realized that decades of operating within the same ecosystem had created a shared perspective that, while once a strength, was now limiting discussion around the table.

They soon realized that this external advisor introduced new ways of thinking about growth, competition, and long-term value creation. Seeing the value of an outside viewpoint, the advisor became the company's first independent board member.

Inflection Point 2: When succession exposes fault lines

"After the passing of our patriarch, founder, and CEO, there was a clear handoff of authority. But several years later, it became clear that our governance structures were not sufficient to carry us forward. When the fault lines emerged, they did so quickly, and we entered what we called a nuclear winter."

Generational transitions can expose unresolved family tensions, sometimes years after the initial succession. In one family enterprise, tensions that surfaced several years after the founder's passing created deep personal strain among family members, revealing disagreements over trust, authority, and the future of the business. What began as a family conflict quickly became a business problem.

Without clear governance structures, those tensions spread quickly and trust eroded. The family lacked the mechanisms to address questions of authority and ownership constructively.

They engaged external advisors to facilitate discussions and help establish a clearer governance framework. Through this process, the family saw the value of an independent voice that could offer a neutral perspective, clarify decision rights, and mediate difficult decisions.

Initial resistance—rooted in concerns about losing entrepreneurial agility—faded as the family saw that good governance clarified roles and strengthened long-term stability.

"Independent directors help depersonalize difficult decisions; they are our neutral third-party advisors."

Their experience highlights a recurring reality in family enterprises: governance structures not only improve business performance, but also help families navigate authority, ownership, and trust during generational change and beyond.

Inflection Point 3: When the family table is no longer enough

"Governance could no longer be around the kitchen table."

As family businesses grow across generations, informal governance can become increasingly complicated. That dynamic played out in one multigenerational family enterprise as both the company and family became more complex over time. What had once been a centralized, family-led model became harder to sustain.

As the enterprise evolved, so did the governance questions: how should the family stay connected to the business, who should represent family owners in the boardroom, how do we prepare the next generation, and how could the company preserve stewardship while bringing greater professionalism to decision-making? In response, the family created more intentional governance, introducing structures such as a family council, a non-voting director program for rising family members, and eventually a majority-independent board.

The result was not a move away from family influence, but a clearer separation between ownership, governance, and management. Independent directors brought outside perspective and discipline, while family governance structures helped the family remain engaged as owners across generations. Together, those changes gave the enterprise a stronger foundation for long-term continuity.

Inflection Point 4: When outside capital demands more discipline

"We made the decision to build governance before being forced to."

As family businesses seek capital to fund growth, acquisitions, or ownership transitions, lenders and ratings agencies often begin to look more closely at how the company is governed. In one family enterprise, that scrutiny intensified after a prior owner's death forced the buy-out of an estate, raising questions about capital needs and long-term financial structure. As the company engaged lenders and rating agencies, leadership received a clear message: the business was sound but, over time, outside stakeholders would expect governance to extend beyond a small circle of family owners.

What followed was not rushed. The family chose to build governance deliberately before it became a requirement. With the founder's support and the next generation leading the process, they identified which capabilities the business needed most and built an advisory board around those gaps, including compliance, human capital, and industry expertise.

That deliberate approach strengthened more than the company's credit profile. It brought greater accountability and more disciplined decision-making. Over time, the board became a source of stability and rigor, reinforcing both the company's financing position and its long-term governance foundation. As one leader put it, "structure doesn't hurt you; it helps you."

Across these examples, the decision to bring in independent directors reflected a common realization: the enterprise needed a different kind of support than the family alone could provide. The next question, then, is how to handle that change.

What it takes to bring independent directors into family enterprises—and how to do it well

Once the case for independent directors is clear, the question becomes practical: how do family enterprises actually undergo the process? Our work shows this shift is rarely straightforward.

What distinguishes strong transitions is how deliberately they are managed. The most successful see this as an ongoing process, aligning roles and expectations as the board evolves. We have distilled these lessons into a practical framework that maps the key steps in adding non-family directors.

Clarify the purpose of the board, then design a structure that follows

Treat board-building as an evolution

Select and develop directors to fit a family context

Set clear ways of working

Evolve corporate and family governance in tandem

01 Clarify the purpose of the board, then design a structure that follows

"Be clear about the long-term vision first. Governance strategy should follow long-term strategy."

Boards without a clear purpose often struggle to work effectively. Families that build a board around a specific need (such as strategic guidance, succession planning, or outside credibility) are better able to set clear expectations. In family businesses, board design should follow long-term strategy and the realities of the enterprise, not mimic a large-corporate model.

02 Treat board-building as an evolution

There was, "no single a-ha moment …it was a gradual evolution, rather than formal declaration."

Board composition should evolve. Several interviewees began with one or two independent directors and expanded from there as the enterprise needs changed. This allowed families to see the value of independent oversight while preserving continuity. Family enterprises should also reassess the board periodically, revisiting its composition, structure, and mandate as the business, ownership base, and strategic priorities evolve.

---

03 Select and develop directors to fit a family context

"Have an extremely high bar for recruitment and place a deep emphasis on high EQ."

While industry and functional expertise matter, cultural fit is critical. Independent directors must be able to offer candid perspectives while understanding the values, family history, and long-term orientation that define the enterprise. Without that context, even strong directors can misread family dynamics or miss the deeper stakes behind a decision.

Onboarding should cover both the business and the family. Directors need to understand the family's values, dynamics, and connection to the business so they can contribute effectively and offer advice that reflects the priorities of both the enterprise and the family. That understanding extends beyond orientation. Independent directors should understand the family's priorities, including its appetite for risk, expectations around reinvestment versus dividends, and the dynamics that shape how decisions are made. Just as importantly, they understand the role the family expects them to play, whether to challenge, recommend, or simply provide perspective, helping them build trust and add value. Yet many organizations still focus far more heavily on the business than on the family context. As one interviewee acknowledged, "We orient more on the business…and less on the family. That's a failing."

---

04 Set clear ways of working

"Formalize board books immediately and set discipline early."

Effective boards need discipline: a regular meeting cadence, clear communication across the family, board, and management team, and well-prepared materials distributed in advance of meetings. These practices help keep board discussions focused on strategy, rather than day-to-day operations.

That discipline also shapes how the board connects with management. In many family enterprises, the introduction of independent directors changes the flow of information and decision-making. Strong boards build relationships with management that support oversight without drifting into operations. As one interviewee emphasized, "Our board asked for more connectivity...so we assigned board members categories and functions in the organization. The audit committee works with the CFO; the compensation committee works with our HR Department."

---

05 Evolve corporate and family governance in tandem

"Our core principle as a board is to govern the family well and govern the enterprise well."

In family enterprises, corporate governance and family governance are deeply interconnected. A board can strengthen business oversight, but it cannot fully succeed if the family lacks structures to manage ownership expectations, generational participation, and questions of authority. Without those structures, family issues can spill into the boardroom and distract from the business itself.

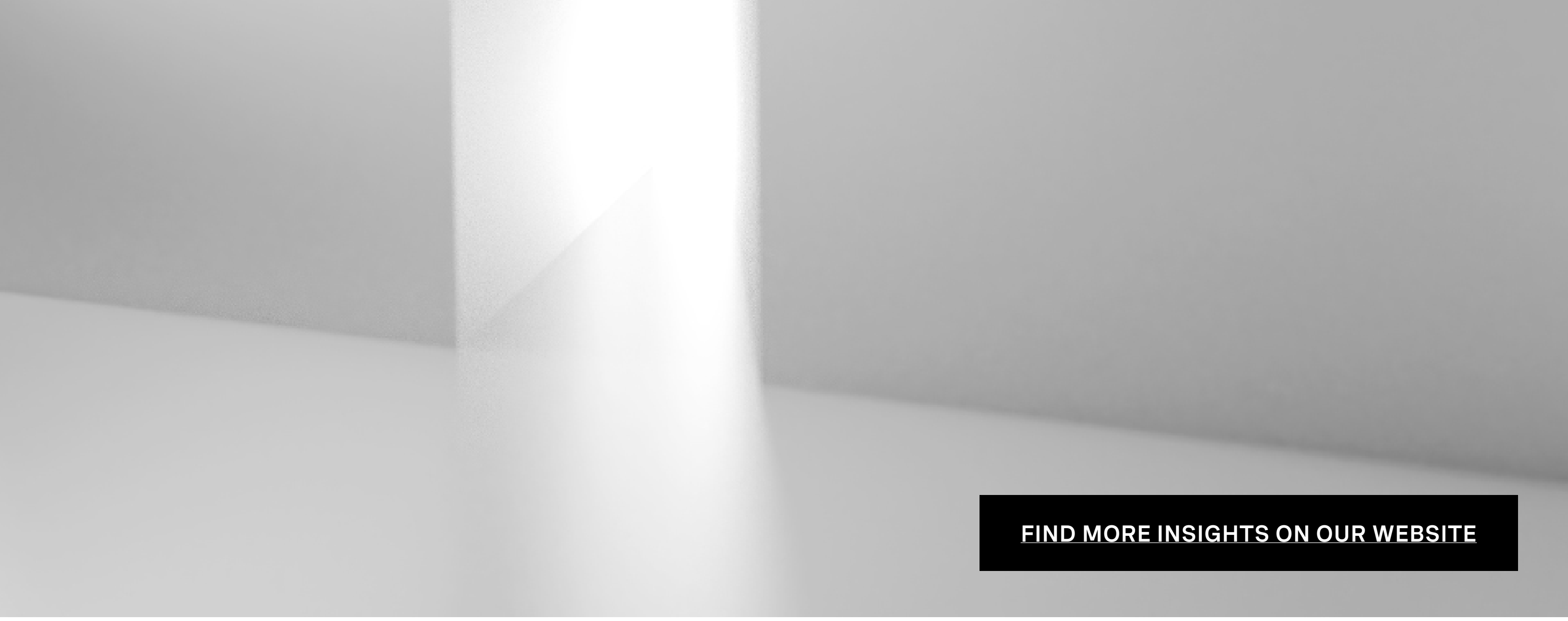
Several families establish family councils, shareholder assemblies, or family charters alongside their corporate boards to address matters such as dividend policies, family employment expectations, succession planning, and conflict resolution. This separation allows the board to focus on the enterprise while family issues are handled elsewhere.

Looking towards the family's future

"When it's aligned with culture, governance strengthens legacy."

Building a board is not just about adding structure. It is about creating the clarity, discipline, and perspective needed to help the enterprise grow without losing what made it successful in the first place.

For many family businesses, bringing in independent directors can be a powerful step; not a departure from family stewardship, but a way to strengthen it. Done well, a board helps families preserve their values, improve decision-making, and govern the business more effectively as it grows in scale and complexity—helping the enterprise to thrive across generations.



Authors

Joey Berk is an Executive Director in Russell Reynolds Associates' Leadership Assessment and Development practice. He is based in Chicago.

Amy Sampson is an Associate in Russell Reynolds Associates' Board Effectiveness practice. She is based in Boston.

Lily Rollins leads the Commercial Strategy & Insights team for Russell Reynolds Associates' Global Family Enterprise Advisory practice. She is based in New York.

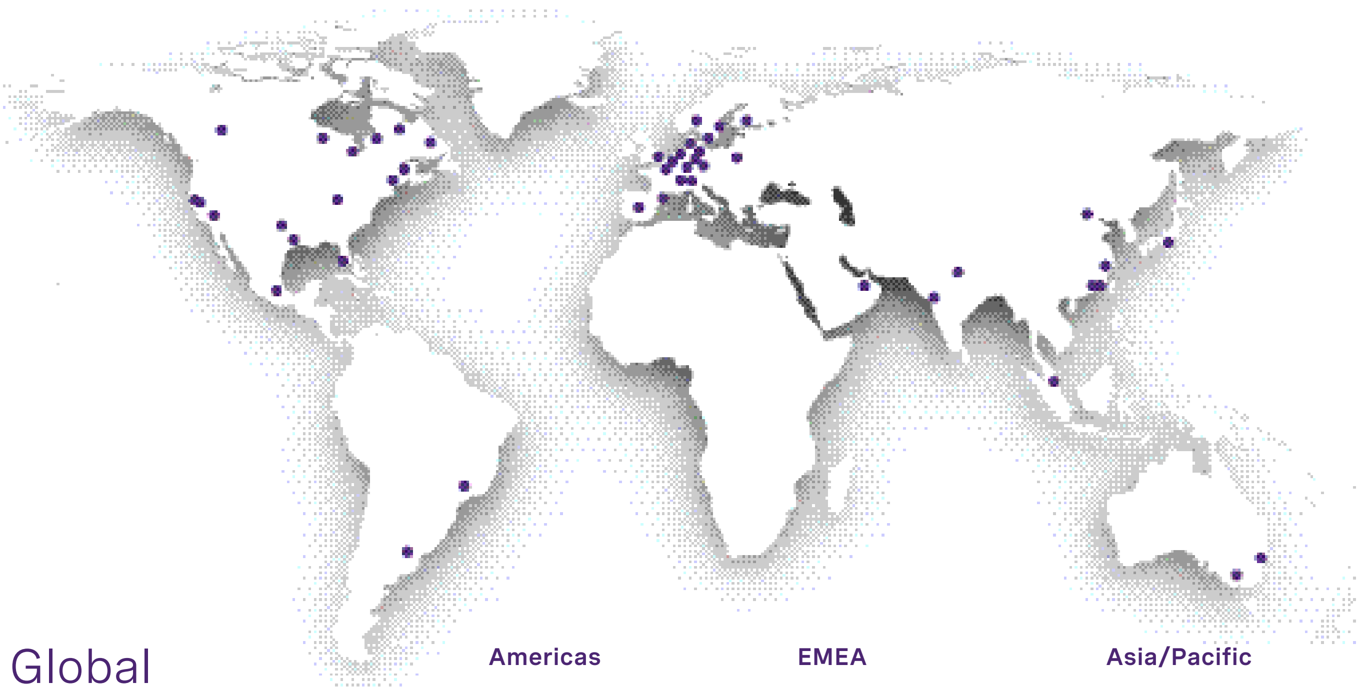
Theodore L. Dysart is a Managing Director at Russell Reynolds and leads the Family Enterprise Advisory practice for the Americas. He is based in Chicago.

Richard Fields is the Global Leader of the Board Effectiveness practice at Russell Reynolds Associates. He is based in Boston.

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

www.russellreynolds.com



Global offices

Americas

- Atlanta
- Boston
- Buenos Aires
- Calgary
- Chicago
- Dallas
- Houston
- Los Angeles
- Mexico City
- Miami
- Minneapolis/St.Paul
- Montreal
- New York
- Palo Alto
- San Francisco
- São Paulo
- Stamford
- Toronto
- Washington, D.C.

EMEA

- Amsterdam
- Barcelona
- Berlin
- Brussels
- Copenhagen
- Dubai
- Frankfurt
- Hamburg
- Helsinki
- London
- Madrid
- Milan
- Munich
- Oslo
- Paris
- Stockholm
- Warsaw
- Zürich

Asia/Pacific

- Beijing
- Hong Kong
- Melbourne
- Mumbai
- New Delhi
- Shanghai
- Shenzhen
- Singapore
- Sydney
- Tokyo