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SUCCESSION IN FAMILY BUSINESSES

SUMMARY REPORT, 2020 | APPENDIX - NATIONAL REPORTS

CURRENT STATE OF THE ART OF SUCCESSION PROCESSES IN FAMILY BUSINESSES

Content

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CURRENT STATE OF THE ART OF SUCCESSION PROCESSES IN FAMILY BUSINESSES

Belgium

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Summary

Family Businesses in Belgium are the Backbone of the economy. They represent more that 55 percent of companies that employ 200 people or more, and 77 per cent of businesses than have at least one employee. However, this important sector would seem to be somewhat hidden from the public view. No official statistics are compiled on the sector and no official definition exists. research has been limited to the academic world and other professional service companies. This is not to say that family businesses are badly treated; on the contrary Belgian family businesses enjoy some of the best fiscal and regulatory conditions in the world. In addition, a myriad of support programmes and business networks exists to help family companies throughout their lifecycle.

Family businesses in Belgium form a significant part of the country's economy. According the various sources, family firms are the predominant form of enterprise, providing the majority of the economic value created in their respective countries (Lambrecht et Molly, 2011). 'The Belgian chapter of the Family Business Network states that family firms make up 77% of companies with employed personnel – 55 % of those employing more than 200 – representing 45% of total employment in Belgium. Together they are responsible for 33% of Belgian GDP' (Itinera Institute, Volckaert & Cincera, Stewardship of Family Enterprises Their Value to Society, Brussels, 2019, 80.p.).

Figure 1 FBN Belgium (retrieved in 2020)

Indeed, a recent study conducted by the Belgian Itinera Institute, states that, 'the Family Business Network's numbers are no outliers: in Europe as well as in other regions, estimates typically vary from 50 to 95% or more of the companies, 35-70% of employees and a similar proportion of GNP. All too often family businesses are equated to SME's, whereas, of course, they too come in all sizes: one-person enterprises, SME's but multinationals as well. Paying attention to this diversity in size aids in avoiding stereotypes. At the larger end of the spectrum for example, of the four firms that can boast an uninterrupted presence in the Bel-20 index can all be considered family firms: GBL, Solvay, UCB and Umicore (Itinera Institute, Volckaert & Cincera, Stewardship of Family Enterprises Their Value to Society, Brussels, 2019, 80 p.).'

Defining family business

Although there is available data on Belgian family businesses, as mentioned above, its statistical grounding would seem to be loose. For example, the figures provided above by FBN Belgium for the coverage of family firms in Belgium are taken from 2011 study by Lambrecht et al, which used a survey-based method to compile the data.

So why is there only limited data on family companies in Belgium? This is due, in part, to the complexity in surrounding the definition of the family company. Indeed, Volckaert & Cincera argue that 'A universally accepted comprehensive definition of "family firm" is an elusive concept. Researchers have examined many criteria and suggested diverse definitions, only to see a fellow researcher come up with a new approach.'

Thanks to our interview with Patrick de Schutter who is the lead partner at KPMG for the Family Business sector, we discovered that there is indeed a 'Belgian' definition for family businesses. This came out thanks to the work that was undertaken in the development of the Code Buysse in 2004. The Buysse Code is a corporate governance guideline for non-listed companies. The definition follows the principle that a company is a family business if the controlling family has the majority of the voting rights (50%+1), and at least one member of the founding family is a member of one the governing bodies and/or is part of the management of the business. For listed companies, the family must hold at least 25% of the voting rights plus one. The Flemish Family Business Institute notes on their website that, 'because there are multiple voting rights in many European countries, the criterion of voting power was chosen instead of the shareholding. It does not matter whether the family exercises the voting power directly, or through legal vehicles such as foundations or holdings that it controls (extracted from https://www.familiebedrijf.be/wat-is-een-familiebedrijf, 2020).'

This definition, however, is not legally binding. It does not appear in any legal texts relating to corporate law. However, the term 'family business' does explicitly appear in Belgian law ('enterprise familiale (French)/ familiebedrijf (Dutch). Usually, family businesses are mentioned in matters pertaining to business transfers, meaning there are indeed specific laws that are designed solely for the purpose of supporting family companies. But, curiously, throughout the course of our research, we could not find an official definition in any legal texts.

Defining family business at the European Level

In 2008, the European Commission assembled an expert group to attempt to define what a family business is. In 2009, the report of the expert group was published and common definition was proposed (which can be found here). Although this marked a significant progress for the better understanding of the sectors, it appears that the take up of the definition has yet to be formalised in any EU Member State. Currently, only Malta, via the Family Business act (Ministry for the Economy, Investment and Small Businesses, Malta) and the Czech Republic (Ministry of Industry and Trade, Czech Republic, 2020) have official definitions of family business.

In Belgium, like many other countries there still seems to be a knowledge gap when it comes to understanding the role and prevalence of family businesses in the economy. Volckaert & Cincera argue, 'the general public, policy makers and opinion makers are often unaware of the manner in which family businesses contribute to economic growth and to society, nor of the specific challenges with which they are faced.' This is particularly true when considered from the perspective of family businesses' legal anchoring in Belgian statute.

Family Business data

Figure 2: Degroof Petercal, Lambrecht & Broekaert, Baromètre Degroof Petercam des entreprises familiales, Brussels, 2018).

As mentioned above, although data on the sector appears to be limited, there are studies that have shed some light on the grounding of the sector in the economy. A recent survey conducted by Lambrecht & Broekaert (2018) (see chart 2), suggested that Belgian family businesses still tend to dominate the more 'traditional' industries. Industrial companies account for 26 percent, construction 21 percent, and wholesaler 14 percent. These findings seem to be backed up by a 2017 study conducted by Statistics Netherlands (the official statistical institute) , using business register data, highlighted that most family businesses are active in the agriculture sector, accommodation and hospitality, trade and motor vehicles, retail, construction, and logistics (Statistics Netherlands, the Hague, 2017). Although this research corelates with other studies from other EU countries. In general, these studies are based on surveys, which have their limitations.

Figure 3: EFB Barometer 2019

Regarding the generational dispersion of family companies in Belgium, once again, data is limited to non-existent. In their landmark study of 2011, Lambrecht et al, highlight that 63% of Belgian family businesses are in the 1st generation, 27% are in the 2nd generation. Only 9%% are in the 3rd and 4th generations.

If we take other global indicators, Volckaert & Cincera (2019) highlight that, 'the Family Business Institute estimates that 33% of family firms transitions to the second generation, 12% to third and 3% to the fourth generation. Members of Credit Suisse's large-cap Family index correspondingly have 50% transfer into the second generation, 22% and 10% to the third respectively fourth generation.'

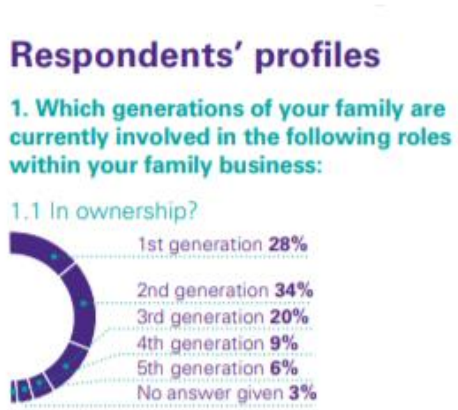

Figure 4: EFB Barometer 2019

EFB, in conjunction with KPMG, have been conducting a survey entitled, *The European Family Business Barometer'.* Its findings would suggest that the majority of business are either in the 1st and 2nd generation (See figure 4). In addition, the barometer would also suggest that most family businesses are under 100 years old (see figure3). Lambrecht et al (2011) note that in Belgium, 'the average age of non-family businesses is 17 years, that of family businesses is considerably higher at 23 years. In addition, the head of a family business has been at the helm for an average of 18 years, while in other companies it is only 13 years. Family ownership is therefore a greater guarantee for continuity and stability (extracted from https://www.familiebedrijf.be/wat-is-een-familiebedrijf, 2020).'

Data on Business Transfers

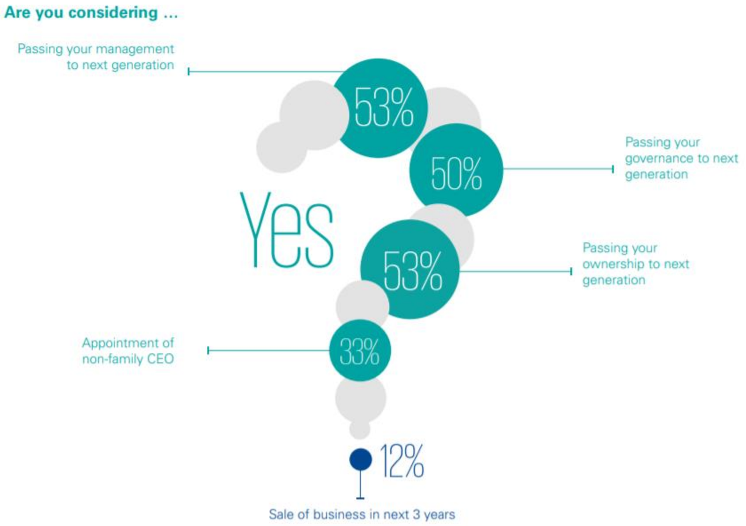

Figure 5: EFB Barometer 2018

Unfortunately, like in most EU countries, specific research on family business succession is limited. As mentioned previously, data on the business transfers is sorely lacking. This can be equated to the fact that data on ownership is also limited, and as a result, tracking ownership evolution is complicated.

One very interesting aspect of business transfers that has come to light through our research is that the vast majority of family businesses, intend to remain family businesses. Through research that EFB has conducted in conjunction with KPMG, we have highlighted that

What we do know, as mentioned in Figure 1, is that 25% of family businesses foresee an ownership transfer in the next 5 years. Certainly, the transfer of business issue is acute and should be given attention by the relevant governmental authorities.

Family business Education

In Belgium, there seems to be an abundant amount of family business programmes; all are run either by universities or business schools. Indeed, many universities have dedicated family business centres. Notable examples include, Vlerick business school with 'Centre for Family Business'. Vlerick offers, what it calls, 'Families in Business' which coaches business families from the second generational change onwards' (Vlerick Business School, 2020). Another notable example is the ICHEC Brussels Management School that has a dedicated family business chair (ICHEC, 2020). ICHEC state on their website that, '*Family businesses have always and will continue to shape our economic and social landscape. Their resilience, their performance over the long term, the values that they embody and pass on, all make them a unique "gem" to study. It was only natural that ICHEC should dedicate a Chair to them (Research, Training, Communication and Networking Centre), namely for two reasons... Firstly, ICHEC originally started out as a management school intended for the sons of Brussels-based industrialists. Secondly, because there is a strong likelihood that a management graduate will come across family businesses on multiple occasions in their professional career.*'

Family Business Support

In Belgium, there seems to be a relatively well-developed network of support services for family businesses. Various business networks exist in Belgium; three are dedicated specifically for family firms. There is of course the Family Business Network in Belgium, which aims to provide a platform for family businesses to exchange experience, so that they may learn from one another. But, the members of FBN Belgium tend to be quite large and are usually under 3rd generation ownership. The others are the francophone 'Institute des Entreprises Familiale' (the family business institute) and the Flemish 'Instituut voor het Familiebedrijf (the family business institute).' These organisations however are not solely dedicated to helping family businesses with their business transfers. They tend to cover all manner of activities, including advocacy and social activities.

For specific help on succession, there are various professional service firms that offer advisory services to family businesses. For example, all the major audit firm (KPMG, Deloitte, EY, PWC etc…), have staff that are dedicated to supporting family businesses. Furthermore, many banks also provide advisory services for family owned companies. However, these services tend to be expensive.

Through the course of our research it became apparent that there seems to be ecosystem that has been created around the buying and selling of businesses in Wallonia and Brussels (http://www.sowaccess.be/fr). This platform, however, seems to be geared solely towards transactional business transfers and less about intra-family business succession. In Wallonia, other support services are offered to smaller firms in the form of vouchers that can be redeemed against advisory services (legal, fiscal et cetera). Our interviews with experts also highlighted that there is still a knowledge gap when it comes to helping family firms with the emotional and psychological aspects of a business transfer. Many advisors are simply not trained to deal with these issues, and this something that does not appear anywhere in the literature.

Conclusion

Family business in Belgium, like many other EU Member States, are the main form of enterprise in the economy. Whilst no legal definition exists in statute, the sector seems to be well catered for when considering the legal provisions that have been specifically designed for them. Most notably, family businesses that wish to pass on the ownership to the next generation, have one the best regulatory frameworks in the world. However, when it comes to support services, via educational tools for example, these are limited to consultancies or educational institutes; often requiring significant sums of money to gain access. Regional governments have attempted to address this issue by offering free advisory services to help during the succession phase.

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Czech Republic

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Summary

In the Czech Republic, the modern history of family businesses started in 1989 after a socio-economic transition and end of the socialist era of the country. At that time, family companies started to come up from almost nothing, driven only by dreams and enthusiasm of their founders. The family companies since then grew in numbers and importance, becoming a topic of interest of many economists and academics, however, they were rather avoided on the level of legislative and statistics.

One of the biggest achievements of the recent history of family entrepreneurship is the anchoring of a definition of family businesses in a government resolution in May 2019. It is believed that the change should lead to bigger support of family firms, in terms of business benefits like favourable business loans or tax reliefs or educational support.

Nevertheless, due to the long period of lack of interest in family businesses and without recognizing family businesses as a specific business entity by the state administration, there was no need to be interested in them in the official surveys. Therefore, there is missing or insufficient data about their numbers, trends as well as data on the succession process. Only a few subjects like universities or association focused their research on family entrepreneurship and those offer at least some picture about the situation in the Czech Republic.

Definition

On the day of 13. 05. 2019, the Czech Republic joined the list of countries with a formal definition of "family businesses". The very basis of the definition was proposed by the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic (AMSP CR) and the formulation is based on the standard made by the Federation of European Family Enterprises. The definition passed through the Economic Committee of the Parliament of the Czech Republic and was a subject of complex interdepartmental comment procedure. So far, the definition was passed in a non-legislative way in the form of a government resolution in order to avoid the lengthy process of creating new legal regulations. In the future, it is expected to continue with implementing the definition in the legislation as well. The definition is as follows:

"A family business is a family business corporation or family entrepreneurship.

1) A family business corporation is a business corporation in which more than half of the members are members of one family and at least one member of the family is its statutory body, or in which members of one family directly or indirectly exercise most of the voting rights and at least one member of this family is a member of a statutory body of this business corporation. A family business corporation is also considered to be a business corporation in which most of the voting rights are exercised for the benefit of one family by a private foundation or a trust fund if at least one member of that family is a member of the statutory body of the private foundation or the trust fund.

2) Family entrepreneurship is a business in which participate at least two members of one family with their work or property and at least one member of this family holds a trade licence or other similar license or is authorized to do business for another reason.

3) For the purposes of a family business, the members of one family shall be the working spouses or partners, or relatives of at least one of the spouses or partners, and their relatives up to the third stage, relatives by affinity relationships up to the second stage and finally, direct line relatives or siblings. If there is a person who is not fully legally competent, he or she is represented by the legal guardian if the child is a minor; otherwise is represented by the guardian."

What has changed since the anchoring of the definition, according to Mr Libor Musil – the founder of Liko-S, a.s. (www.liko-s.com/en) family company and the leading person of a AMSP CR's initiative "Family Business" (www.rodinnafirma.net), is: "*With the definition came more publicity and media support of this kind of entrepreneurship. Since the beginning of 2020, new supporting programmes emerge and there is higher interest in keeping Czech companies in the hands of the families. Another benefit could be the possibility to measure efficiency and trends in family businesses accurately and respond accordingly with possible support for family businesses as the backbone of our economy.*"

It is needed to be mentioned, that apart from a new definition of family businesses, a definition of family farms is still missing in the Czech legislative. Nevertheless, the Civil Code addresses an issue of tax exemption facilitating the transfer of agricultural property within a family. Apart from that, effective state support for family farming is lacking. This role is partially taken over by the Association of Private Farming of the Czech Republic.

Data

Given that the definition of family businesses has not existed until 2019, it is not possible to state exact numbers about them in the Czech Republic. It is assumed that most Czech family businesses can be classified as SMEs. According to the Czech Statistical Office, a total of 1,154,687 legal and natural persons in the Czech Republic reported business activities, of which 1,152,735 were SMEs. The share of SMEs in the total number of active business entities in 2018 was 99,83%. If we consider the international experts' estimation that family businesses make up 80% of SMEs, it would make in total 922,188 family businesses in the Czech Republic. These estimated data show the importance of SMEs; therefore, their support and development are crucial for the Czech economy. However, the annual ranking of the largest domestic family businesses prepared by Forbes magazine (based on the parameter of at least 2 family generations in the company's management), shows that there are also large companies in the hands of family owners. From 2021, thanks to the statistical evolution, it will be possible to monitor the impact of family businesses on the Czech economy.

Sectors

As mentioned above, the data on family businesses are rather limited. The University of Finance and Administration, a. s. conducted research in 2016 – 2019 about marketing vitality and fields of business of family firms in the Czech Republic. The research included 608 respondents and showed that family-run companies cover all basic business fields (like constructions, retail, wholesale, heavy machinery, agriculture, animal/food/beverages production, textile/leather production, metallurgy, cargo, wood and paper industry, healthcare, all kinds of services, consulting, etc.). From the list of 3,621 family businesses made by the same University, the distribution between individual fields is relatively balanced. They also studied the most common legal forms of family entrepreneurship (*Table 1*), finding out that the prevailing part consists of limited liability companies (1,951), followed by joint-stock companies (681), self-employment (601) and family farms (388).

Family farms, as a specific segment of family businesses, are still rather neglected topic of interest resulting in lack of data about them. The Association of Private Farming provides support in the area of succession,

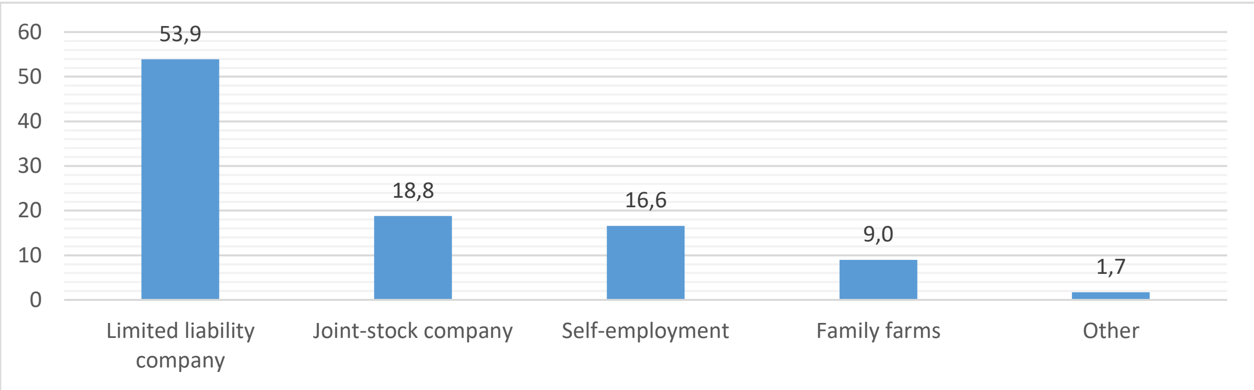

Figure 6: Legal forms of family entrepreneurship in the Czech Republic in %.

Source: PETRŮ, Naděžda a Andrea TOMÁŠKOVÁ (2018). Export of family business in the Czech Republic as a step of their further development Business Trends. Business Trends, roč. 8/2018, 4/8, s.28-41

for instance in a form of educational programmes (e.g. international project Farm Success: http://farmsuccess.ventureland.es/?lang=en), publishing learning materials and organizing annual Farm of the Year competition for their members who are small and medium-sized farmers.

Generations

There is no official statistics prepared by the Czech Statistical Office about 1st/2nd/3rd etc. generation in family businesses as family businesses have not been recognized in the surveys until now. With the newly accepted definition, it is expected for the national surveys to change. However, AMSP CR conducts its own annual surveys in cooperation with IPSOS research agency since 2014. Each year, the survey is focused on different aspects of family entrepreneurship. They are freely available at www.rodinnafirma.net/cz/pruzkumy-analyzy-a-publikace. The results are only in Czech; however, you can see some of the research results below (*Figure 1 & Figure 2*). The data suggests that Czech family companies would like to keep the company in hands of the family and succeed it to the next generation rather than sell it or cease its activity; however, they largely lack planning and preparation for such a process. In fact, only 5% of family firms confirmed they have a succession plan prepare and 65% of them do not intend to create one.

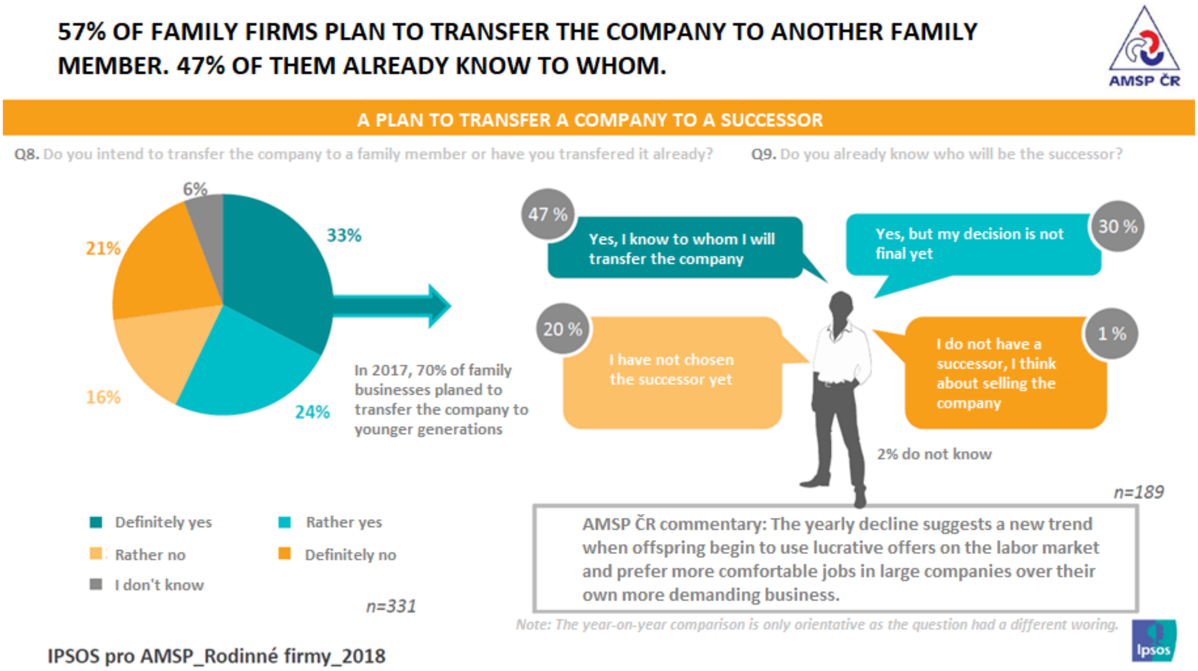

Figure 9: Annual survey on trends in Family Businesses in 2018

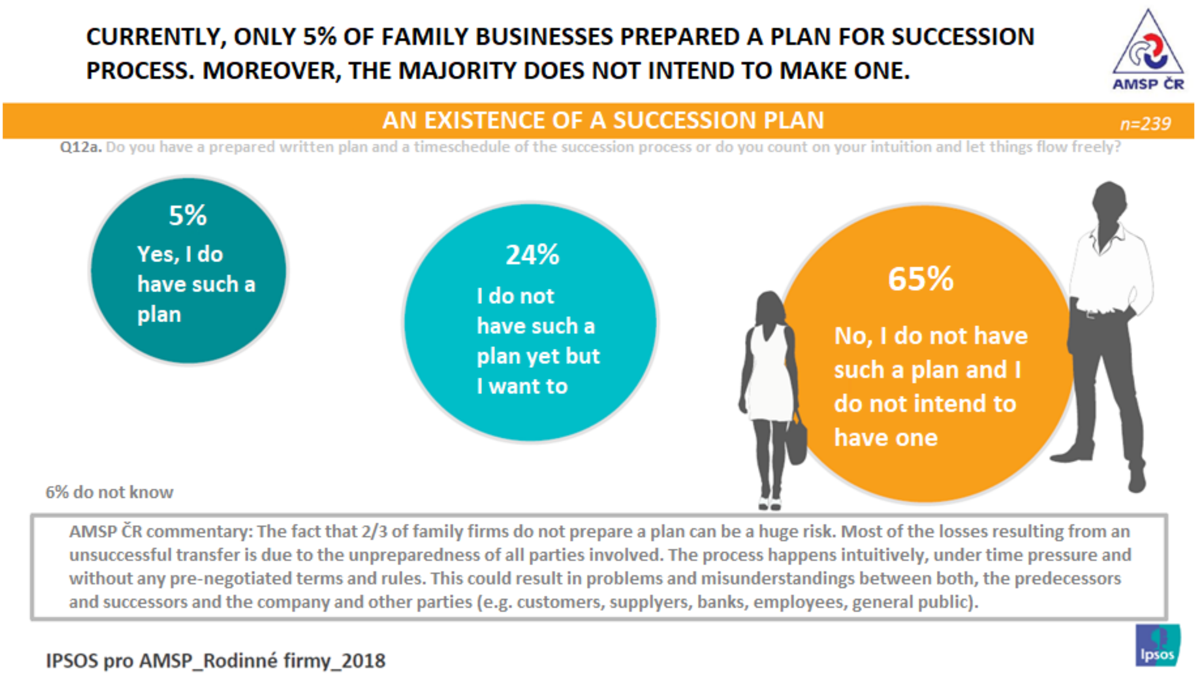

Figure 7 - Annual survey on trends in Family Businesses in 2018

The last survey conducted in 2019 was an only qualitative one based on deep interviews with 8 successors of family businesses who already took over a company. The research focuses on the motivation of successors to continue in the company and it also touches on the question of succession. The interviewees described the succession process as gradual and taking several years. In none of the cases, a plan or a timeline of the exchange was prepared, the process was intuitive and changed according to a situation. In most of them, however, a final deadline of the succession was settled. An important factor in all cases was an in/ability of a father/predecessors to transfer responsibility and not interfere anymore. In some cases, the process happened suddenly due to unexpected events.

In 2018, AMSP CR also declared the Year of Family Business which enabled the greatest visibility to the issue in modern history. In cooperation with online media, over 200 family businesses were introduced to the public, their field of business, the story of their foundation and their successes as well as struggles. The national project “Family Business” initiated by AMSP CR was intensified. AMSP CR organized round tables on the topic of succession on a bi-monthly basis. To promote family businesses even broader, AMSP CR started a cooperation with a traditional TV series about Czech countryside called “Wandering Camera” and prepared 8 special episodes named “Wandering for Family Silver” about Czech family firms who restored their ancestral businesses after the fall of communism. The cooperation continued also in 2019. Since 2012, AMSP CR also organizes a competition “The Family Business of the Year” in cooperation with Equa Bank with the aim to appraise small and medium-sized family enterprises and help them with public promotion.

Some academic research is conducted by Czech Universities as well, specifically at the Technical University of Liberec, the University of Economics in Prague, University of Finance and Administration, a. s. in Prague and Brno University of Technology. They take part in programmes of Technological Agency of the Czech Republic and Grant Agency of the Czech Republic. Currently, the projects “Family Businesses: Value Generators and Value Determination in the Succession Process” and “The Influence of Business Owners on Company Behaviour and How Family and Non-family Firms Differ in this Perspective” take place. Moreover, the Association of family businesses plans to conduct a nation-wide survey about the viability and resistance of Czech family businesses in case of an economic downturn. The results should be available in April 2020.

Failure

In the modern history of family businesses in the Czech Republic, for the first time, we encounter the phenomenon of handing over family companies from the generation of founders to the generation of successors (more about the history in Q6). Given the lack of experience, the handover process is rather intuitive, non-systematic and without a prepared plan. No unified and/or longitudinal data is collected. The issue of ongoing succession process is nowadays discussed predominantly through round tables and meetings of representants (1st/2nd/rarely 3rd generation) of different family firms. They meet to exchange experience with succession, discuss problematic issues and failures and learn from each other how to overcome them, plan the process ahead, compile family constitutions, solve conflicts amongst family members and so on. Similar meetings are organized also for successors only, usually of those who are in the process of succession or have already taken over the company. Since 2014, approximately 490 companies and over 1,000 family members attended these meetings organized by AMSP CR. These round tables and meetings, however, do not deliver any data on succession failure. Even though problems, barriers and failures are discussed, no follow-up analysis exists as the main purpose is not to conduct extensive research but to provide a place to help through sharing experience.

Although some participants may be shy or embarrassed at the beginning to share their negative experience, they usually overcome the barrier and discuss the issue openly. Thus, it can be presumed that Czech family businesses would be willing to take part in similar research or project.

Historic Reasoning

Family business succession in the Czech Republic is a relatively new phenomenon. The modern history of Czech family businesses is considered from the fall of communism in 1989. At that time, family businesses started to emerge from nothing, driven by the force of enthusiasm and desires to realize previously suppressed dreams and ideas. Following the boom of family businesses, the attention was focused towards business support, management consultations and productivity training. The importance of family businesses increased rapidly, however, the recommendation from academia to include family business-related education were not fully addressed. One of the experts on the issue of family businesses and renowned professor at Brno University of Technology Prof. Ing. Vojtěch Koráb., Dr., MBA comments on the issue: "*It is a pity that family firms have forgotten the academic sphere where research has been carried out since the Velvet Revolution in 1989 and the results of it could have been used in family businesses much earlier."* It took until now, 30 years after the change of the regime, for family businesses to become a more important topic, as it is historically the first time when intergenerational exchanges in family businesses take place in the Czech Republic. Professor Koráb explains: "*After all, most of the family businesses were founded after the Velvet Revolution, the founders are now tired and at an age when they have to think about what to do next. This is why family businesses are now such a hot topic. And yes, they are at the centre of interest now, however, this interest shouldn't be based only on the fact that they are facing a problem of succession now and need help. It should be based on the general reasons, family businesses were the backbone of the economy already during the time of the First Republic (*1918 – 1938, author's note*), they have always acted as an economic stabilizer and they still fulfil this function today. This is why they deserve attention and care from all, municipalities, central administration and academic sphere*."

As explained, the topic of succession is not a "taboo" anymore, nevertheless, it is managed mostly intuitively. Families learn "on the go" to manage conflicts, compile family constitutions, hand over management and ownership, etc. Until recently, there has been lack of guidelines or methodologies describing step-to-step strategies of succession management and the research of this topics is lacking behind the real practice. Mr Libor Musil describes the beginnings and development of the project Family Business which tackles the lack of education in this area: "*At the time when we started with the project "Family Business" in 2012, this term appeared very sporadically. Recognition of family enterprises has just begun. Banks and consultancy firms caught up the first and started strong marketing towards family businesses. It was only later, thanks to our campaign, that the succession process and successful intergenerational exchange of the company began to be promoted. I believe we're heading in the right direction nowadays."* Since 2018, round tables, educational events, professional publications and media visibility have made it possible to present succession as a strategic process that needs to be managed. For those interested, there are few publications, articles and educational events, however, what is not sufficiently mapped and published in the Czech Republic is the actual process of succession (e.g. how many in numbers, what are the main problems and conflicts that arise from managing the intergenerational exchange, family relationships, emotions like envy and feelings of being underrated, disagreements over property settlements, and so on). There is a lack of examples of both, positive and negative experience.

Government Priorities

The topic falls under the responsibility of the Ministry of Industry and Trade of the Czech Republic and anchoring the definition of family businesses will be binding on all ministries and other central state administration bodies. Moreover, the Ministry of Industry and Trade established a working group composed of representatives of the Ministry, AMSP CR, the Chamber of Commerce and the academic sphere. The planned areas of support are as follows:

- Rural services and support of family farms;
- Financial support of small shops in municipalities with a lower degree of infrastructural development;
- Educational support in the form of specialized courses and university programmes;
- Voluntary certification of family businesses as proof of being a family company;
- Support of research and innovations;
- Tax reliefs for family entrepreneurs who invest in a company from their own money;

- Introducing the Trade Package – digitalization of paying taxes for entrepreneurs, smaller administrative burden;
- Possibility of getting interest-free loan or guarantee for family businesses;
- Raising awareness.

Last but not least, the current Minister of Industry and Trade, doc. Ing. Karel Havlíček, Ph.D., MBA. was previously the Chair of the Board of Directors of AMSP CR before being offered a ministerial seat. His previous interest in and a close connection to SMEs thus gives hope for greater government interest in this issue.

Existing Learning

In the Czech Republic, there is no systematic formal education focused on family business succession. The following institutions or educational companies offer education or training in some parts of family business entrepreneurship:

I. The Centre for Family Businesses at the University of Economics in Prague – The Centre began its activity in 2016 and its main goals are to connect family companies, academic sphere and the public sphere in order to support competitiveness. One of its big achievements was creating a new minor specialization "Family Business" at the University which focuses on overlapping of three systems – family, business and property management. The specialization is available to students of the University, however, the following website (www.m.vse.cz/rodinne-firmy) is freely available and introduces activities of the university in the area. Moreover, the Centre organizes workshops and conferences for the broader public which are charged.

II. Faculty of Economics at the Technical University of Liberec – The Faculty started focusing on the family business issue in 2014 and developed a free-of-charge test of the vitality of one's family business (available at http://rodpod.tul.cz/otestujte-se.html). The test serves to identify weak spots of one's business. The faculty then organizes free-of-charge workshops. The main aim of the Faculty is to prevent depopulation of small municipalities by creating more favourable conditions for family businesses.

III. Department of Economics and Management at the University of Finance and Administration, a. s. in Prague – Since 2014, the private university implemented subject "Specifics of a family business" as an obligatory subject in bachelor's degree studies. Also, the students are obliged to prepare a medallion of a chosen family business and evaluate its managerial abilities and development as a part of "modern management" studies. Studying at the university requires tuition fees.

IV. The Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic (AMSP CR) – The Association runs a website for family entrepreneurs (www.rodinnafirma.net) where anyone can find freely available information, links to publications and surveys, free E-Books, contacts to partners and interested parties, contacts to consulting companies, information about changes in legislation, etc. Family companies can also register for free and receive invitations to events, round tables, seminars, etc which are as well free of charge. The round tables represent the main and the most effective way of educating family businessmen in the issue of intergenerational exchange.

V. Family Business Association – The Association offers a workshop called Mastermind in a form of regular meetings of family companies' owners or directors. It provides a possibility to ask for advice

Figure 8: The website for family entrepreneurs from AMSP CR: www.rodinnafirma.net

to others who run their own business and have real experience. The first visit to the meeting is free, after that, a paid membership is required.

VI. Centre of Andragogy, s.r.o – this family educational and consulting company provides seminars on several topics among which are few regarding family businesses. They focus on finding a balance between creating a profitable business and having good relationships with the family. All seminars are charged.

VII. Other paid consulting companies – e.g. Delloite, Dittmann Consulting, Spousta energie, Krajíček and Partners, Performia etc. They usually focus on law advice, taxes, audits, online management, leadership or HR. Their services are paid.

Digital Capabilities

In 2019, AMSP CR declared the Year of Digital Entrepreneurship and focused its activities on introducing digital innovations to Czech SMEs. Part of the activities was also quantitative research among 101 company-owners on using modern technologies in their companies. The research was realized in cooperation with IPSOS research agency finding out that 80% of SMEs and self-employed persons feel like being ready for digital communication with the state administration offices. On the other hand, only 28% believe that the state administration is ready for such kind of communication. Moreover, three-quarters of respondents also already use at least one modern technology in their company (varying from the internet of things, online marketing, cloud, etc.) and invest into the modernization of their companies.

Figure 9: Survey "Firma 4.0" on digital competences of family businesses conducted in 2019

From the above findings, it can be concluded that disseminating project results and learning materials through digital platforms will be appropriate for Czech family business owners, especially for the emerging younger generation.

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Italy

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Summary

The overwhelming majority of jobs in the regions of the European Union (EU) are currently attributable to small and medium-sized enterprises (SMEs), including many traditional small family businesses (PIFT), most of which have a long history and established traditions, in addition to extensive experience and numerous successes over time. The PIFT are the backbone of many economies around the world and their growth rate is impressive. They perform a fundamental function in the context of regional and local development, playing a distinctive and constructive role within local communities.

The economic and industrial development of recent years, however, is compromising the stability and competitiveness of family businesses and, in particular, of small traditional family businesses (PIFT). They are increasingly put to the test by organisational and bureaucratic constraints and by strong dependence on the external environment. In cases of market failure, in particular, it is precisely small family businesses that are adversely affected, having more difficulties in evolving into new business models and being more penalised in accessing resources (be they financing, credit, access to information, human capital, or expansion potential in new markets).

PIFTs are still too far from being addressed by EU policies, which tend to favour uncalibrated priorities over small family businesses, consequently also negatively affecting national and regional policies. The scarcity of strategic support instruments has been accompanied, especially in recent times, by the increasing difficulty of obtaining financial interventions and accessing the credit market[1].

[1] Family businesses are better able to resist difficult times of recession and stagnation. These businesses have unique management characteristics, from the moment their owners have the long-term prospects of the company deeply at heart, especially since the stakes are the sisters, the reputation and the

Reviewing the definition of SMEs, reserving a space for a European definition of family businesses and, specifically, PIFT, for which the reservation of *ad hoc* support policies, should be a challenge that, starting from the European Commission, should concern the States and all the levels of local public bodies and local intermediaries, with particular attention for financial institutions and business and trade union organizations.

This is a path which has already been well-defined by the European Economic and Social Committee (EESC) which states "The potential of small family and traditional businesses to stimulate the development and economic growth of regions" and invites the European Commission to support the "Act Small approach First - Acting first and foremost "and to pay particular attention to PIFTs when developing the strategic tools to support them.

Definition

A family business may be defined by two main perspectives: a legal perspective and a commitment perspective. In Italy, the family business is one in which the entrepreneur's family members collaborate in running the business. This type of activity remains in all respects an individual company, since only the owner is recognized as an entrepreneur. It follows that if two or more family members decide to set up a company (for example Snc or Spa), the possibility of configuring it as a family business is excluded.

The family members who help the owner, however, are configured as simple collaborators. For Italian law, in particular, the entrepreneur's family collaborators can be considered: the spouse, relatives within the third degree (son / daughter, grandson, brother, sister, uncle / a, grandfather / parent) and the like within the second degree (son-in-law, daughter-in-law, brother-in-law and other relatives of the spouse). The regulatory requirement is that the family member, within a company belonging to the spouse, a relative or a similar, may carry out a job that can be as an employee or as an occasional or regular freelancer. Family businesses can obviously hire employees (also possibly relatives) in order to carry out their business activity.

Regardless of the members of the family business, the responsibility of the same rests entirely and exclusively on the entrepreneur who owns the business, who remains the only one (with the exclusion of the conjugal business) to answer with his own personal property to creditors and who fails in the event of insolvency. The discipline then touches on various aspects relating to the economic rights of family members who participate in the business,

future of their families. Their management is selected by an exceptional attachment to the continuity of the company and involves a more assiduous attention towards its employees, as well as the search for closer links with the business in support of the activity.

the right to participate in decisions, the transfer of the right to participate, the ownership of the business, the tax aspects and social security contributions.

In order to formally establish a family business, it is necessary to draw up an authenticated private agreement or a public act. The deed of incorporation must contain the exact specification of the family business, object and location. The identity of the owner of the company and of the collaborators must be indicated, highlighting the ties of kinship or affinity and the express expression of will that the constitution act is valid for subsequent years must also be indicated, as well as bearing the signature of the owner and all collaborators.

On the subject of the continuity and transfer of value and productivity of the family business, starting from 2006, the instrument of the Family Pact[2] was introduced, a specific legal instrument to regulate inheritance in family businesses[3].

The second perspective is more complex and must take into consideration the family involvement in the business. In more recent times, also in light of the definitions that have emerged at a European level, the family business can be delineated as a productive activity in which one or more families - connected by kinship ties, affinities or solid alliances - hold a share of the risk capital sufficient to ensure control of the company, even when it is exercised by elements external to the family itself (such as managers and / or directors).
A subdivision according to the economic discipline[4] follows in three sub-sets:

1) Family businesses in the strict sense: they are small in size and only a few family members own the majority or all of the risk capital. The corporate bodies are closed to subjects outside the family unit. The relationship between business and family is very strong and it is the family that provides everything necessary for the business to stand out in the market.
2) "Extended" family businesses: the dimensions are medium or large and the ownership and management functions are concentrated in the hands of one or more people. Unlike the domestic company, the management bodies are entrusted to external members and the family-business relationship is more fragile.
3) Managerial companies: capital control is not only maintained by the family of origin, but also by the descendants. They are medium or large-sized companies, whose governing and management bodies are of mixed composition.

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[2] Law n. 55 of 14 February 2006 Modifiche al codice civile in materia di patto di famiglia published in Gazzetta Ufficiale n.50 of 1 March 2006.
[3] Corigliano D. & Taddei C. (2018) I Banti, 100 anni di impresa, Pisa: Eraclito 2000, 103-107.
[4] Corbetta C. & Demattè G. (1993) I processi di transizione delle imprese familiari, Milano: Mediocredito Lombardo.

Indeed, ownership and management represent two core dimensions to look at when defining family businesses. For example, Chua, Chrisman, & Sharma (1999) propose the following definition: “The family business is a business governed and/or managed with the intention of shaping and pursuing the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families”[5] (p. 25). Other authors have proposed more precise scales to measure to what extent a business is a family business. The most known is the F-PEC scale[6] that is build upon three main sub-scales: the power (ownership, governance, management), the experience (generation of ownership, generation active in management, generation active on the governance board, number of contributing family members) and the culture (overlap between family values and business values; family business commitment). However, these tools are very difficult to apply in practice and consequently, studies tend to distinguish among family controlled and/or family managed businesses.

However, the fact remains that the definition in force in Italy, aimed above all at avoiding forms of exploitation of the family members and the recognition of adequate rights to those who collaborate in the business, presents various gaps and various problems of an interpretative type, especially if seen in relation to the definitions in force in other countries and the importance of safeguarding the contribution of these realities to the economy of our country. The debate on the need to review the legislation on the matter is not yet emerging in a structured way, as was hoped for and recommended, in line with the *Small Business Act*: according to the European Economic and Social Committee on the topic "Family business in Europe as a factor in relaunching growth and a source of better jobs"[7] and, even more, in line with the Opinion of the European Economic and Social Committee on" The potential of small family and traditional businesses to stimulate development and economic growth in the regions[8].

Family businesses in Italy

The Family businesses represent a very important component of the Italian production landscape both in quantitative and qualitative terms. A reality little studied as a whole and of which little is said, often referring only to the more structured Family Businesses[9].

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[5] Chua, J. H. H., Chrisman, J. J. J., & Sharma, P. (1999). Defining the family business by behavior. Entrepreneurship Theory & Practice, 23: 19–39. https://doi.org/10.1177/104225879902300402

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[7] Official Journal of the European Union C 13/8 del 15.1.2016.

[8] Official Journal of the European Union C 81/1 of 2.3.2018

[9] Corbetta G., Quarato F. & Minichill A. (2018) X Osservatorio AUB Dieci anni di capitalismo familiare. Available at: https://www.aidaf.it/wp-content/uploads/2014/08/Report-AUB-X-edizione.pdf

The survey that analyses the overall phenomenon of family businesses in Italy is still the Unioncamere Report on "Companies, communities and value creation"[10]. A report dating back to 2014 but which, in the light of the social and economic developments of the last few years, should have kept intact the validity of the percentage values recorded on the data of the total number of companies. The study enters into the merits of the characteristics and dynamics of over 4.2 million family businesses, around which there is a deafening silence, both in terms of knowledge and, consequently, of more suitable economic policies to favour their development. Yet the data show that the family business is the cornerstone of the national production system, representing 87% of the production fabric (4.2 million companies) with a number of employees equal to 76% of employees (13.4 million). The report also highlights how this reality indicates an enormous vitality, evidenced by the fact that 95% of start-ups see the involvement of a family.

Among family businesses with employees, we can distinguish the set of family businesses consisting of sole proprietorships[11] and partnerships, estimable in 805,110 (61.3%), and that of limited liability companies, equal to 507,710 (38.7%). The latter, in particular, can be further separated into "extended" family businesses (92,160 equals to 18.2%) and "strictly speaking" family businesses (415,550 equals to 81.8%) according to their propensity to share or not share ownership or corporate governance. The sum of individual companies, partnerships and family capital companies "strictly speaking" forms the set of "traditional" family businesses. It is worth pointing out that when family businesses open up to the market (extended family members), they prefer governance as a form of sharing: if this path is in fact chosen by 70,000 companies (76%), they are "only" 22,000 who choose to sell share capital[12].

Clearly, in employment terms, these phenomena are reversed, because in joint-stock companies there are almost three quarters of the total workers employed in family businesses (almost 5,800,000 in absolute values), while sole proprietorships and companies people employ just over a quarter of employees (2,300,000 workers).

Overall, the contribution of family entrepreneurship to the dependent employment of the country is significant, considering that within the non-agricultural sectors (companies with at least one employee), about 7 out of 10 employees are employed in this segment of the production fabric[13].

[10] Unioncamere (2015), Alimentare il digitale. Il futuro del lavoro e della competitività dell'Italia, p.133, Available at: http://www.bollettinoadapt.it/alimentare-il-digitale-il-futuro-del-lavoro-e-della-competitivita-dellitalia-rapporto-unioncamere-2015/

[11] Unioncamere (2019) Individual Entrepreneurship Report 3rd quarter 2019. Total number of sole proprietorships in Italy in the 3rd quarter of 2019: 3,158,683

[12] UNIONCAMERE (2014), Comunità e creazione di valore L'economia reale attraverso il contributo delle imprese familiari, della cooperazione e dell'imprenditoria sociale, 18. Available at: https://www.cliclavoro.gov.it/Barometro-Del-Lavoro/Documents/Rapporto_annuale_Unioncamere_2014.pdf

[13] Ibid.,13, Tab. Dipendenti nelle imprese extra-agricole non familiari e familiari, per forma giuridica, anno 2012 (valori assoluti e composizioni percentuali).

In Italy, family capitalism follows from artisan traditions that have their roots in the municipal system of the late Middle Ages, from which particular specificities such as those of the industrial districts and local production systems that for many years have been the basis of the competitive success of the *made in Italy* in the world. Organizational forms structured in specialized activities born around some families of advanced craftsmen in the area, able to achieve important production synergies that are widespread among small businesses, but also well rooted in medium-large businesses. There are many examples of large Italian companies in which the founding family maintains not only the "surname-brand" correspondence but also the ownership structure, or, if it holds a minority of the capital, maintains its governance. Not to mention the cases in which the family owns both the ownership and the management of the company. In general, family capitalism has drawn the foundations of its own competitiveness precisely from its strong insertion within the territory and from the relational networks with the respective communities to which it belongs, since it is precisely from the territories that "tacit" culture is born. of knowledge and traditions that are the basis of many successful productions and highly rooted production specializations.

Among the various factors that determine the competitiveness of family businesses, the entrepreneur's attachment to a job that derives from a family legacy of generations and that can often count on a particular attachment to quality, both of the entrepreneur and of employees, is paramount. Indeed, there is vast academic literature on the unique resources of family businesses possess. Among them, we should mention the *familiarity*, defined as “the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business”[14] (p. 11), but also the human capital, the social capital[15], the patient capital and the survivability capital[16]. These resources are important for determining family businesses' competitiveness and they also influence innovation processes.

The prevailing marked territorial roots and attention to the local stakeholders and the reference communities, often makes family businesses assimilate social enterprises, thus contributing to building a socio-economic model different from that based on mere profit and individual interest. The family business thus becomes a full-fledged actor of the civil economy, that is, bearer of visions and values capable of renewing and restoring full centrality to corporate culture. Some case studies have highlighted the double connection linking the family firm and the

[14] Habbershon, T. G., & Williams, M. L. (1999). A Resource-Based Framework for Assessing the Strategic Advantages of Family Firms. Family Business Review, 12(1): 1–26. https://doi.org/10.1111/j.1741-6248.1999.00001.x
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territory, as in the case of Loccioni[17], a hightech company which is very innovative, in the Marche region, and Raspini[18], a jewellery manufacturer in the Tuscany region. These cases show that the territory is an important source of innovation and human capital, but that the family business also has an important role in terms of preserving traditions while innovating and enhancing its social impact at a territorial level. Additionally, they present two interesting insights regarding succession processes. The first case shows the importance that the first generation has in terms of imprinting the firm in specific processes (innovation in that case), while the second case looks at how brand identity evolves during succession processes.

The added value produced in 2012 by non-agricultural family businesses with employees amounted to 781.7 billion euros (in nominal terms), equal to 57% of the total produced by the entire national economy (always extra-agricultural). Almost two thirds of these 781.7 billion euros of added value were produced by the tertiary sector (500.8 billion euros), within which the role of commerce was significant (167.1 billion). The remaining third is attributable to the industrial sector (280.8 billion), with the clear prevalence of industry in the strict sense (193.5 billion) and that of construction (85.5 billion)[19]. It follows that, overall, the contribution of industry to national added value (always net of agriculture) is less than a third.

Family businesses are mainly concentrated in the smaller size classes: in the 1-9 employee class, for example, they make up 86% of the total business and absorb 87% of the employees. However, the spread of family capitalism is also relevant in larger companies, where this method affects more or less half of the productive and employment universe (always in terms of employed workers). Family-owned companies "strictly speaking" are particularly widespread among companies with fewer than 50 employees, where these exceed 80%. Obviously the small size in itself does not facilitate the opening of spaces for the contribution of new members or organizational margins for the entry of managers and executives into the management structure and, even in cases where this opening is detected, in the vast majority the cases prove to be openness to governance, as it is less complex and more flexible. On the other hand, medium-large family-owned companies (with 50 employees and more) are not only more "open", but are far more open than small companies, compared to capital, confirming the fact that as the size grows, the family business structure tends to widen, in a way in which the family more frequently decides to abandon owner control, while maintaining the management of the company.

[17] Casprini, E., De Massis, A., Di Minin, A., Frattini, F., Piccaluga, A. (2017). How family firms execute open innovation strategies: the Loccioni case. Journal of Knowledge Management, 21(6), 1459-1485. https://doi.org/10.1108/jkm-11-2016-0515
[18] Casprini, E., Melanthiou, Y., Pucci, T., & Zanni, L. (2020). Managing founder-based brand identity during succession, Journal of Brand Management, 27(1), 1-14. https://doi.org/10.1057/s41262-019-00161-x
[19] UNIONCAMERE, Comunità e creazione di valore, 36.

Data and features of family businesses in Italy

The sectoral specializations of family businesses are strongly rooted in the leading sectors of Made in Italy manufacturing. In fact, the presence of family businesses stands at 94-95% in the food sector, in the fashion and wood-furnishing supply chain. Over 82-84% of employees work in family businesses in the aforementioned sectors, to which are added three other important faces of Made in Italy: paper, household goods and the processing of non-metallic minerals. The family businesses are then widespread in the electro-technical and precision instrumentation sector (optical products etc.) with 83.9% of companies and 69.3% of employees and in other sectors such as, for example, the manufacture of metal products, where craftsmanship, also artistic and ornamental, has a strong diffusion; as well as in the construction industry, characterized by a large number of small and medium-sized family businesses, not necessarily specialized in a single activity, but sometimes taking advantage of the various specialties of the various family members to operate in multiple sectors (from manufacturing / repair of buildings to their systems)[20].

In the tertiary sector, the spread of the family economy is substantially totalizing, in terms of both businesses and employees, in the commerce sector, where the small average size businesses - often born also in connection with tourism, combined with the artisan connotation of certain activities (such as car repairs) have favored this spread. Family businesses are also very present in the tourism sector (accommodation, catering, travel agencies and tour operators). On the other hand, in tourism services the family business can carve out very fruitful spaces in particular specialized areas of the market such as rural and environmental tourism, where small family-run agritourism businesses appear much more suitable than large structures in preserving the environmental and landscape value of this type of offer, but also in low cost urban tourism, where modalities such as bed-and-breakfasts are showing remarkable vitality.

The role of the family business then excels in typical and quality catering, for small numbers that is increasingly expressing its potential linked, once again, to the territory[21]. The presence of family businesses is also relevant in services related to culture, creativity and the exploitation of free time, where it represents a fundamental creative component in the production process of services related to entertainment and the use of cultural heritage, often not valued in the traditional ways and capable of providing very local answers, that is to demand specifically located in a territory. Family businesses basically operate in all sectors of the economy and are all the

[20] Ibid., 24-32.

[21] Ibid, 23.

more present in the sectors in which the territorial roots of economic activity and the link with the community to which they belong are strongest.

The simpler legal forms - individual firms and partnerships, typical of smaller companies - are particularly widespread among family businesses active in "traditional" BtoC B2C (Business to Consumer) sectors, with low barriers to entry (low required initial capitalization levels and not high management complexity) such as the retail trade, tourist accommodation, catering, the food industry, the wood-furniture industry, that of the fashion system and in cultural, recreational and sports services.

The presence of sole proprietorships and partnerships is also quite high (more than 3 out of 5 companies) also in the building sector, where, alongside the more structured and diversified companies, numerous small or specialized activities flourish in the subcontracting circuits. in individual processes (finishing, painting, plant engineering etc.) with elementary legal forms. The forms of limited liability companies are, however, widespread above all in the sectors with the greatest need for corporate capitalization and / or with a high scale economy B2B (Business to Business), where dimensional growth is often a factor of competitiveness (the metallurgical, chemical-pharmaceutical, rubber-plastic industry and, finally, the manufacture of machinery and means of transport).

They are also widespread in the tertiary sectors where investment in innovation is significant and the management of complex production processes, also on the technological side, requires a certain internal articulation of roles and skills (ICT services and, in general, advanced services, for business support or healthcare). The role played by the family remains prevalent even in larger companies since 87% of the capital companies present in Italy are "captained" by families (in absolute values, 507,713 out of 585,752), with particularly high incidences, which sometimes they exceed 90%, in various manufacturing sectors (from the food and fashion system to the paper industry, passing through the metallurgical sector), as well as in commerce and tourism

Going further into the details of the corporate structures of family businesses operating in the form of joint stock companies, those defined "strictly speaking" (ie those in which the family controls the majority of the capital and also has direct management of the business) are particularly widespread in sectors such as tourism, commerce, paper, food, wood-furniture and construction industries. The family-owned companies "closed" to external contributions in terms of capital or governance are, therefore, particularly concentrated in traditional types of activity, relatively simple to conduct, in which the need to have new financial partners or managers outside the family circle is less felt.

For their part, "extended" family-owned companies are more frequent in sectors of greater technological or managerial complexity, where the family has more difficulties in "doing it alone". Specifically, a more widespread presence of family-owned companies extended to share governance with managers outside the family can be found in ICT services, where markets are often complex and require particular skills in managing commercial relationships. , in the manufacture of machinery and means of transport and in the electrical, electronic, optical and medical industries, that is, in sectors with medium-high technological content. Family capital companies "extended" to share capital are more frequently found in those sectors where the level of capitalization of the company is very high and requires a split and sharing with external partners (financial services, public utilities , chemical-pharmaceutical industry, manufacture of machinery-means of transport, transport and logistics services). This phenomenon is also found in sectors that have gone through, or still are going through particularly acute phases of crisis, inducing the family to seek external asset support more frequently.

The succession in family business

The main general statistical indications concerning the survival of family businesses to generational transfers are from ISTAT and Infocamere sources, and show that around 70% do not survive the first generation and a further 50% disappear on the occasion of the second generational change. There are also several researches carried out on the subject by public and private associations and study centres, almost always linked to activities promoted in the context of research carried out in collaboration with university institutes. We take inspiration from the results highlighted by some of them to underline a series of information of particular interest:

- taking as a reference the sector of "medium-sized family businesses", 45% of these are dealing with problems related to generational change[22];
- in 70% of the cases examined there is a tendential reluctance of entrepreneurs who manage the family business to open up to managers outside the family[23];
- 10% of corporate bankruptcies are linked to the failure to plan generational handover[24];
- within 5 years of the first generational change, two out of three companies disappear[25];

[22] Unioncamere e Mediobanca (2017), Indagine annuale sulle medie imprese italiane nel periodo 2006-2015 con un approfondimento sul periodo 1996-2015, a cura di Unioncamere e Mediobanca, 3. Available at: http://www.unioncamere.gov.it/P42A3557C160S123/le-medie-imprese-hanno-macinato-venti-anni-di-successi--ora-devono-vincere-le-sfide-del-digitale-4-0-e-della-governance.htm
[23] Ibid.
[24] Ibid.
[25] Ibid.

- taking as reference a sample of companies with turnover from 20 to 50 million, 70% are represented by family businesses and 25% of these have a leader over seventy years old[26];
- with reference to a sample of 100 family businesses, it should be noted that 90% of the seniors involved in the generational transfer of the company admit that they are not inclined to leave the company in the hands of their children and that only the need to digitize the processes business can make them change their mind[27];
- with reference to the same sample referred to in the previous point, it emerged that in 28% of the cases examined, the senior, aware of his own limitations, leaves room for the children in the digitalisation process of the company, thereby favouring even the most complex generational change[28];
- with reference to a sample of 1,250 artisan entrepreneurs or owners of SMEs between 55 and 75 years of age, it should be noted that only 40% of them believe that there may be a business succession over the next 10 years[29];
- the survey referred to in the previous point shows that succession is perceived as still "distant" on the basis of individual reasons, such as the sense of attachment to work, the maintenance of the standard of living, the difficulty in imagining a daily life without the business[30];
- in the face of the aforementioned reluctance to face the process of generational handover by current seniors, potential successors instead feel ready to take on leadership roles in the company[31];
- in Europe 45% of the leaders of family businesses are over sixty years old and will soon have to face the problem of generational change[32].
- In Italy 38% of the owners of sole proprietorships are over 55 years old and 16% are over 65 years old[33]

The information presented so far, although referring to non-homogeneous investigations and referring to non-uniform time spheres, are exemplary for the fact that the problems relating to the issue of generational change in family businesses must become an absolute priority in setting economic development policies to be valid. as of today, and increasingly so for the next few years.

In fact, it is clear from the analysis of the data that without an adequate preparation of tools that facilitate the aforementioned generational change, an entrepreneurial sector that represents the majority of the Italian

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[26] Corbetta G.; Quarato F. & Minichilli A., (2017) IX Osservatorio AUB sulle aziende familiari in Italia, 40. Available at https://www.aidaf.it/wp-content/uploads/2014/08/Report-AUB-IX-edizione_final-1.pdf
[27] Ibid.
[28] CERIF (2018). Available at: https://cerif.it/wp-content/uploads/2018/06/PIF-PG-e-digital-rev-SEC-logo-nuovo.pdf
[29] Ibid.
[30] European PASSA Project.
[31] Ibid.
[32] Ibid.
[33] Unioncamere Imprenditoria Individuale (2019)

production system could enter into serious crisis, measured both from the point of view of the number of operating companies, both from their percentage weight on the total and because of the contribution to the GDP. Not to mention of course how much the structure of this particular sector of businesses and entrepreneurs is able to bring to the national economic system also in terms of employment, professional and cultural perspectives for the younger generations and more generally for social cohesion.

It must be said that much of the research and statistical material developed on these issues in recent years is available for free through the consultation of the sites of the Study Centres/Associations/Universities that produced them. Only a part of them can be consulted within publications available for a fee.

Succession failure within family business

There is no overall data on the final outcome of the family succession processes activated in the context of the generality of family businesses operating in Italy. Naturally, reference can be made to the aforementioned values relating to the percentages of companies that survive the first and second generational change, which sees its number drop to around 15% of the initial total. The data just mentioned clearly shows the great problem we face and to which we must find suitable solutions. Before trying to make any proposals in this regard, however, it is interesting to highlight the outcome of a survey, already referred to previously, which took as a reference a sample of family businesses with turnover from 15 to 50 million. Well, within this sample, the companies that actually and concretely asked themselves the problem of planning the generational handover have obtained results of this kind: out of 34 planned generational handovers 71% ended positively, only 12% were a complete failure and 17% are still in progress, with some problems to be solved[34].

If we compare the data just highlighted, which testifies to overall profitable results, with data of general survival of companies in the first and second generational passage, which instead express decidedly negative trends, it is natural to underline the fact that it is the lack of planning of the succession that somehow affects the outcome. Planning the business succession, planning the various steps in time and concretely carrying out the envisaged interventions, therefore means laying the foundations for activating the process correctly and making it possible to obtain a positive result.

[34] CERIF (2018) Il 28% dei passaggi generazionali andati a buon fine ha attuato politiche di digital transformation.

However, this presupposes the preparation of training tools and the development of motivational perceptions which, at least in the current state of affairs and without significant interventions of economic and cultural policies, are not at all obvious.

The importance of family business in Italy

Taking for granted the fact that the priority derives in the first instance from the fundamental contribution, already widely documented, of this sector of companies to the overall national economic system, there are some further factors, which have also developed in quite recent years, which have certainly made it more urgent to obtain government intervention, in order to structure new legislation on the matter. There are several factors to consider:

1. Italy is aging, and with it also entrepreneurs. Italy is the country that, together with Germany, has recorded the most marked reduction in the youth population in the last decade. By contrast, the population over the age of 65 is progressively and continuously growing;
2. Italy has experienced, and continues to live, years of economic crisis, or in any case of low growth rates, which add difficulties for companies in keeping up with their competitors on international markets;
3. Italy is still grappling with a financial market characterized by a difficult relationship between businesses and the banking system, with accentuated difficulties, compared to the majority of other EU countries to access bank credit;
4. Italian companies, and family businesses specifically, are often undercapitalized and have a propensity for a predominantly individualistic management of the company, with high barriers to the entry of new members or the delegation of management and leadership to other family members.

All these factors make it more urgent to plan adequate policies aimed at facilitating good practices of generational handover within family businesses.

Family business in political agenda

It is difficult to say whether family businesses are at the centre of government policy attention right now. Instead, what we can say is that there are various possibilities and proposals to ensure that a desirable government intervention can lead to positive results on the subject of our investigation. So, what is needed for the process of generational change in family businesses to take place in the least traumatic way and with results that are much more effective than the current ones?

First of all, it would be appropriate that, for the purposes of correct management of the aforementioned passage, companies can be released from an excessive concentration on only technical and fiscal issues. As a matter of priority, it is important that entrepreneurs can start an appropriate study in due time, together with their family members belonging to the new generations, of guidelines for planning succession. So using any appropriate consultancy and activating those training courses that may be useful for the professional and motivational preparation of both the senior and those who will take over the leadership. The goal must also be to avoid that the succession can be implemented only formally and not effectively. No less important is also the activation, by the outgoing entrepreneur, of a network of relationships that does not make him feel too lonely when he retires.
Furthermore, as we have already pointed out previously, the digitization process underway in the majority of businesses, including family businesses, can also greatly help the generational changeover phase. Here then is that to bring the family business to the 4.0 level There is a need to start training courses in business management, which start from professional and technical schools and find continuity in the University Institutes, to train young people able not only to create a new company, but also to take over an existing one, and perhaps renew it in many of its parts, but making sure to exploit its customer portfolio, relations with banks and suppliers, the network of consultants, its qualified personnel, his know-how, his reputation. The password in this case is "re-start-up".

To facilitate the generational transition, a multidimensional approach is needed, which connects the training needs of the school system with the new workforce recruitment phase, which allows to simplify the jungle of existing rules at regional and national level, which can reward at the level tax those activities that have decades of success behind them, and that puts the constitutional function of crafts and family businesses at the centre of attention. All of the above in the logic that the generational handover of the family business constitutes a fundamental moment for ensuring the continuity of corporate life, and that this phase represents both an organizational and legal, financial and tax challenge. If this challenge is not properly managed, there is a risk not only of going out of business, with the consequent loss of jobs, company know-how and invested capital, but also serious damage to the entire local economic fabric.

What, then, can you think of doing concretely to achieve the desired objectives and who should take care of them? First of all, the Institutions (also at national level but above all with reference to local areas) could open specific discussion tables with the stakeholders involved on the issue of generational transfer in order to identify territorial solutions that activate interventions on financing for re-start-ups, identifying also concessions regarding bureaucracy, training, coaching, mentoring.

The balancing of investments in start-ups and re-start-ups would also be interesting, combined with the activation of a system for monitoring "expiring" companies, to which to reserve coaching and mentoring actions for leaders starting from the 55th year of age. The banking world, in synergy with the world of credit consortia, could be entrusted with the task of identifying specific forms of financing to be allocated specifically for the implementation of generational transfer processes, accompanied by an adequate form of assistance on the matter.

This is due to the fact that these processes, and the related costs, can be equated with strategic investments that guarantee business continuity and lay the foundations for future development programs. Also, in this case one may assume that these particular forms of financing become available for those companies whose owner reaches the age of fifty-five.

At the level of the national institutions, the Government and Parliament could, with specific legislative measures, facilitate the succession processes in craft businesses and family SMEs, particularly affecting incentives, access to credit, training of young people and streamlining of bureaucracy.

Learning in family business

To deal with succession, entrepreneurs usually turn to various professional figures with specialist skills that respond to the main problems that arise, to be oriented and / or assisted in the choices and decisions related to succession. Issues strongly influenced by the complexity of the family-type business and the relationships between family members, which can have a decisive influence on the content and duration of the business succession process[35].

For their part, a series of subjects (consultants, associations, banks, etc.) have refined various services to assist entrepreneurs in the succession of their business. The main professional figures[36] to which entrepreneurs turn are the following:

1. Consultants: professional figures who assist the family in economic, financial or property operations (accountants, lawyers, notaries, etc. ..) and in the company's own problems;
2. Specialists in succession: matters with specific skills mainly in the legal and business field, above all capable of understanding the situation in which the company is facing and the relationship of the company with the family of origin, in order to choose the best solution for planning of business succession.

[35] Passeri R. (2007) Valutazioni imprenditoriali per la successione nell'impresa familiare, strumenti per la didattica e la ricerca, Florence: Firenze University of Press, 64.
[36] Ibid, 65.

3. Banks: entities that intervene to deal with financial problems, within the business succession.
4. Trade associations: entities that are deeply linked to the business world, are very active in supporting their associates in business succession. However, it often emerges that trade associations offer their members a system of purely "corporate" services without considering the aspects related to the entrepreneur's personal assets and those related to the family[37].

Regarding the learning aspect, it is possible to identify a series of guidelines that have addressed the issue of generational change and the main risks that characterize it, accessible and downloadable for free, such as, for example, that of the Bolzano Chamber of Commerce Gestire al meglio la trasmissione d'impresa realizzandola insieme e per tempo (2011)[38], the Guida per i passaggi generazionali: condizioni di successo, errori da evitare e case history Assolombarda (2016)[39] and the Guida alla successione L'importanza della continuità del patrimonio of the BPER Bank (2018[40]).

The theme of generational change also involves some university institutes and business schools that have for some time been conducting research and providing courses and masters on family business such as, for example, the Sole24ore Business School[41], LUISS Business School[42], the Carlo Cattaneo University[43], Free University of Bozen (Centre for Family Business Management), the University of Bergamo (with its CYFE - Centre for Young and Family Enterprise centre), the Bocconi University of Milan[44], and the Catholic University of Milan[45].

Among the associations involved in the family business issue, CERIF operates, founded in 2005 as the "operating arm" of ASAM (Association for Business and Managerial Studies of the Catholic University) for research on Family Business, which brings together Italian family businesses and supports them by providing tools and solutions to support their activities and AIDAF | Italian Family Business founded in 1997 by Alberto Falck together with a group of entrepreneurs that groups more than 200 family businesses, and carries out training and empowerment activities for members of associated families, institutional projects for national and European politicians and

[37] W.Zocchi, S.Lelli, P.Marseglia & L.Luoni, (2007) Family Business e Successione d'impresa, La sfida della continuità nel passaggio generazionale, Il sole24ore. Available at: https://www.aidaf.it/wp-content/uploads/2014/09/Family-Business-e-successione-di-impresa.pdf
[38] Available at: https://www.camcom.bz.it/sites/default/files/uploaded_files/sviluppo_impresa/14771_Gestire_al_meglio_la_trasmissione_d%27impresa_realizzandola_insieme_e_per_tempo.pdf
[39] Corbetta G. & Menichilli A., (2016) Guida per i passaggi generazionali: condizioni di successo, errori da evitare e case history. in Dispensa n.06/2016, Milano: Assolombarda. Available at: https://www.assolombarda.it/media/comunicati-stampa/guida-per-i-passaggi-generazionali
[40] Available at: https://www.bper.it/documents/33222/93216955/Guida+successioni.pdf/935fa35c-55e6-eaa3-6ae3-75beff815077?t=1534921831242
[41] SMEs and generational turnover" and "The management of enterprise and generational turnover" courses.
[42] Executive Programme in family business management" course and Master degree in Economic, address in Entrepreneurship and family business. Master Degree in economic indirizzo in Imprenditorialità e family busines.
[43] Master degree in Economic address in Family Business Management.
[44] The AIdAF-EY Chair of Family Business Strategy in memory of Alberto Falck, as an integral part of Bocconi University, contributes to the development of an organic offer of programs and courses (undergraduate, graduate, post-graduate and executive) in Business Management and Family Business.
[45] Psychology faculty, advanced course in Family Business Expert

exchange of experiences through the organization of meetings and exchange of ideas to favour the network of contacts between the associated entrepreneurial families.

The Bocconi University of Milan, in particular, has been collaborating for years with AIDAF-Italian which in 2009 set up an AUB Family Business Observatory to monitor and analyse the economic and financial performance of Italian family-owned companies above € 20 million. turnover, through the publication of annual reports. These searches offer interesting food for thought and photograph an important productive slice of our country, that of medium and large family businesses, allowing you to monitor the progress and critical issues that affect them over time. However, it should be noted that the target considered by these analyses does not make it possible to deepen the aspects and characteristics of family businesses with less than 10 employees and with turnover below 20 million euros, which are the majority in Italy.

The lack of a structured learning system, possibly free of charge, which guides, prepares and supports entrepreneurs in the various phases of family succession is particularly felt by the smaller family businesses which, more easily, can underestimate the times and procedures to contain the risks of succession failure.

Undoubtedly, in fact, the process of family succession is configured as a delicate and diversified phenomenon that does not only concern transfers of offices and quotas, but also and above all of corporate values, knowledge and skills[46]. There are also multiple types of family businesses: from those of the first generation, to those that entered the third or fourth succession; from small businesses, where overlapping roles can be detected, to larger ones where roles are more defined, etc.

Despite these considerations, however, there are a number of common principles and errors shared by family businesses and on which it would be useful to build a learning system that can guide and support family businesses not only in the choice and the most suitable tools for them, but also in the knowledge of the phenomenon of succession. In particular, the "generational succession" must be well planned and managed with appropriate methods and times: effective management of the difficulties, which family-run companies have to face, will guarantee long-term continuity and quality[47].

[46] Corbetta G. & Menichilli A., (2016) Guida per i passaggi generazionali: condizioni di successo, errori da evitare e case history. in Dispensa n.06/2016, Milano: Assolombarda, 5.
[47] FABUSS Project An Overview of the Environment for Family Businesses – TUCEP (2017) Family Business Successful Succession An Overview of the Environment for Family Businesses ,Italy National Report. Aviable at: https://www.fabuss-project.eu/wp-content/data/IO1/FB_ENV_ITALY.pdf

Digital skills of the family businesses

The phenomenon of digital transformation is significantly affecting companies in our country and is a fundamental element for their competitiveness. Digitization, in particular, entails the introduction of important changes in the way companies operate, requiring their strong renewal capacity in terms of resources, required skills, innovative processes and methodologies.

The digital transformation is particularly "difficult" for family businesses that are called to seize the opportunities of digitalization through changes in their managerial and organizational model that must balance the interests of the company with those of the family. In Italy there are no data available on the digital skills of family businesses. However, starting from the observation that most of the latter are small in size and through the data available for research and reports conducted by imported research institutes on the digital skills of Italian companies, it is possible to have a general picture of their technological and innovative levels.

Finally, from the digital transformation process, Italy is unprepared due to a lack of culture on the importance of technological innovations and the advantages that the latter can bring to its production system. According to the EY Digital Manufacturing Maturity Index 2019 Report, the limited digital culture (85%) and the identification of suitable professional figures (84%) represent the two main brakes of the 4.0 development of the Italian industry. To counter this trend, "contamination" by external actors, be they customers, consultants / technology providers or employees, is fundamental.

Regarding family businesses, a research[48] conducted by PwC shows just how young future successors to the family business perceive themselves as agents of change in the digital transformation but also want greater support and trust from the current generation of leaders. The research has shown, in fact, that the "NextGen" trust is high on the value they can bring in terms of skills. Over two thirds of respondents believe that their strengths such as problem solving and leadership are essential skills in the future corporate landscape. 64% say they can bring added value by ensuring the adaptation of the company's future strategy to the digital age.

According to ISTAT[49], it emerges that two thirds of Italian companies are "indifferent" to the digitalization of production processes since they believe that the ICT sector does not affect their business, with the result that 80% of Italian companies are characterized by a low technological profile on the ICT level. The 2019 DESI

[48] PwC (2019), Global NextGen Survey 2019.
[49] ISTAT (2018), Rapporto sulla competitività dei settori produttivi. Available at: https://www.istat.it/storage/settori-produttivi/2019/Rapporto-Competitivita-2019.pdf

(Digitization Index of the economy and society) report[50], with which the European Commission monitors the digital competitiveness of the Member States places Italy in 24th place among the 28 EU Member States in the digitalization index of the economy and society. Italy is in a good position, although still below the EU average, in terms of connectivity and digital public services. Public online and open data services are readily available and the spread of digital medical services is well established. Fast broadband coverage and the spread of its use are growing while progress in superfast connectivity is still very slow[51].

In terms of the integration of digital technologies by businesses, Italy (32.3%) ranks 23rd among the EU Member States, well below the EU average (41.1%). There has been some progress in the use of cloud and e-commerce services, however Italian companies are still unable to take full advantage of the opportunities offered by online commerce. Only 10% of SMEs sell online (well below the EU average of 17%), 6% make cross-border sales and around 8% of their revenues come from online sales. Over 37% of companies share information electronically within their corporate departments (percentage above the EU average of 34%).

From the digital skills aspect of the workforce[52], Italy is still distant from the European average of 37.1% (they are in line with the European average only in the software area). If we consider the level of digitization by size class of companies, it emerges that companies with 10-49 employees are very low skilled (58.1%) while those with more than 250 employees are high skilled (36.5%) even if the highly skilled are 10.5%.

From surveys carried out by ISPOS together with EY on digital transformation[53] and by Confartigianato Imprese[54], it emerges that companies still invest little in process and product innovation and in new digital wave technologies such as big data and robotics. The incentives were mainly used to renew hardware, with investments mainly oriented towards technologies such as IT security (45%), web and mobile applications (28%), social media (18%) and cloud (16%). With regards incentives from a research conducted by Talent Garden - a European networking and training platform for digital innovation - on a sample of 500 SMEs that has fewer than 50 employees and has an annual turnover of less than 10 million euros, it emerges that with regard to the percentage of turnover that the SMEs interviewed, most (38%) of the companies invested between 1 and 10%, 18% invested between 10 and 20%, 11% between 20 and 30% and 6% between 30 and 40% of the turnover. Only a few other companies have invested a slightly higher figure, while 14% have not done so.

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[50] European Commision (2019), Indice di digitalizzazione dell'economia e della società (DESI): relazione nazionale per il 2019, Italy. Available at: http://egov.formez.it/sites/all/files/indice_desi_2019.pdf
[51] Ibid., 3.
[52] Quintavalle E. (2018), Tendenze delle digital economy nella ripresa degli investimenti, Ufficio Studi di Confartigianato imprese, 17.
[53] Aviable at: https://www.ipsos.com/it-it/imprese-e-famiglie-ottimisti-sul-digitale-ma-la-crescita-e-lenta
[54] Quintavalle E., Tendenze delle digital economy nella ripresa degli investimenti.

Once more according to this research, the biggest obstacle is the lack of digital skills and the fear of investing in something that probably will not bring great returns. Other issues concern the resistance of management and employees in not yet grasping digital evolution as an opportunity; finally, another obstacle is the negative perception of external bureaucracy and the lack of incentives.

According to research conducted by the Confartigianato Firms Study Office, the main factors driving digitalization are incentives / incentives (48.5%) and broadband (30.8%)[55]. Regarding investments in broadband, however, Italy (21.5%) ranks as a tail light compared to other EU countries (44%), followed only by Cyprus, Croatia and Greece. Looking at small businesses, digital businesses rose to 127 thousand in 2017 (+ 3.6%). In three years, the growth of digital businesses is more intense and equal to + 9.1%, widening the gap with the total economy so the increase stops at + 0.7%. The analysis shows that in 2017 small businesses on social networks grew by 16.7%. In particular, one in two companies among the 10-49 employees is present on social media (41%[56]), with a strong concentration in the services sector (50%)[57].

The reason for this increase is mainly due to the need for small businesses to develop the image of their company and its products (36.2%), as well as gathering opinions, reviews and answering customer questions (22.8%). However, according to Confartigianato's research, in the two-year period 2017-2018, companies attach increasing importance to staff training in the ICT sector: in one year + 5.8% for total businesses and + 6.2% for small ones. In particular, 23.8% of small businesses carried out training courses in 2017.

With regard to digital craft businesses, an increase of 1.7% was recorded in 2017, better by 0.4% than in 2016. Digital services are the sector[58] with the most widespread network contracts (88.7%). The sector analysis relating to the craft sector indicates that they are concentrated in two sectors while the remaining two represent only 1.4% of the total: in particular 52.7% of the digital artisan businesses deal with software production, IT consultancy and related activities (5,597 companies) and a further 46.0% processes data, does hosting and related activities and deals with web portals (4,885 companies). In these two sectors, the weight of craftsmanship on the total digital enterprises is also higher: compared to an average share of 8.3%, in fact, it rises to 11.1% in the production of software, IT consultancy and activities connected and 10.3% in data processing, hosting and related activities and web portals.

[55] Quintavalle, E.,Tendenze della digital economy nella ripresa degli investimenti, 18.
[56] Ibid, 22.
[57] Manufacturing sector (33.2%) and Construction (25.2%).

[58] Ibid.

Conclusion

The analysis shows that family businesses play a fundamental role for the Italian economy and how, they represent an extremely varied and widespread reality that affects all production sectors and all size classes of business, with a significant prevalence among microenterprises.

Family businesses show economic performance and generally higher levels of growth than non-family businesses but, especially small ones, they are particularly vulnerable to market changes and the most difficult to accept the challenge of the "fourth industrial revolution" (digitalization), which is significantly changing the production fabric and the economic context of our country.

In the context of family businesses, business succession can be particularly difficult for several factors, from psychological ones to those linked to the complexity of the business transfer process. A process, which can also be temporally very long, during which the entrepreneur often has to resort to the support and / or support of professionals and / or need skills other than those available within the company.

In this regard, we must also note that Italy is facing, in addition to the aging population, also a period of exodus of young people. This represents a double problem for family businesses. On the one hand, the new family generation can be attracted to more favourable working contexts abroad and book a "one-way ticket" (this scenario is radically different from going abroad to professionalize, acquire new skills and then return to the family business).

On the other hand, companies are faced with a job market with young people on average less prepared because of the "brain drain". A second observation must be made about the business-school / university relationship: to transmit knowledge and skills, it would be important to ensure that experienced people (managers, but also retired employees) were able to pass it on to the younger ones. Therefore, a networking action is needed, which could be facilitated by trade associations, between young and old.

In this context, the availability of specific learning systems to support the figures involved in the management - or the rotation in the management - of the family business, can represent an objective added value for the entrepreneur and family members involved in the business for various reasons.

An added value that, in perspective, could be even more useful where these learning systems are also usable with e-learning methods, given the positive data on the growth trend of digitization even in small businesses, this being the way that can more easily allow customizations and adaptations to different cases and facilitate progress on updates of the materials produced.

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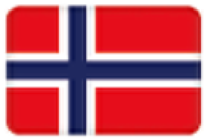
Norway

Partner:	Family Business Norway	Prepared by:	Simone Møkster
Country:	Norway		
Date:	January 2020		

Summary

Family firms are the backbone of the Norwegian economy, which is also the case in rest of the world. Globally 2/3 private owned firms are family owned. The same figures we find for Norway where 70% of all private firms are family firms, in total 80.000 firms [2].

The main principle from the Norwegian government, is private ownership. However, the state has ownership in companies of strategic importance, provide infrastructure or security reasons. Currently the state fully or partly owned 73 companies. The top four largest companies on the Oslo Stock exchange, Equinor (energy), Norsk Hydro (industry), Telenor (telecom) and DNB (bank), are owned by the state respectively with 67%, 34%, 54% and 34%.

After changes in the tax regime in 2006, ownership of businesses is increasingly organized in corporate structures, holding companies or other type of parent companies. Ownership through corporate structure makes succession in family firms more complex. Any given tax regime or predictions of changes in the tax regime affect the succession planning. Inheritance tax was removed in 2014, however many businesses owners fear this will be reintroduced if there is a change in government.

This report is written by Family Business Norway, a non-for-profit organization for and by family businesses. The association don’t collect or maintain quantitative ownership data. Consequently, this report is based on external open sources. There is no budget in the SUFABU project to collect any data for this project.

Formal definition for ‘family business’

There exists no formal definition of family business in Norway. According to the Norwegian Encyclopedia [1]

A family business is a company owned by individuals, a family or people related by family ties. The term is not used in the legislation; hence family businesses are governed by the same legislation as other companies with the same legal status.

BI Norwegian School of Management include a centre of corporate governance research (CCGR). They have established a unique database of ownership data, the CCGR database. The data is classified according to the following definition:

We define a family firm as one where more than half the equity is owned by individuals related by blood or marriage up to the fourth degree of kinship. [2]

Family Business Norway regard the BI definition as a good definition and apply this in our work. A limitation with the definition is that a family business owned by three separate families that are not related by blood with 33% each, will not be categorized as a family firm in the CCGR database. We knew of a few such firms among our members. Listed companies also tend to be family dominated and perceived as family firm also with ownership below 50%. The Global Family Business Index maintained by EY and University of St Gallon apply the following definition:

Private ownership where the family controls over 50% of the shares and voting rights or public companies where the family holds at least 32% of the shares and voting rights [15]

The textbook, «Managing the family business” [6] include dominant control and generation perspective to their definition.

A family firm is a firm dominantly controlled by a family with the vision to potentially sustain family control across generations. [3]

The relevance of succession and long-term value creation make this a strong definition family firms will identify with. On the other hand, the “vision to sustain family control across generation” is challenging to measure in a quantitative database as the CCGR database at BI. The definition BI utilize serves the purpose to classify family firms.

The Norwegian family firms are recognised by active owners with high involvement and influence in their firms:

98%	88%	80%	72%
Of the family firms have the family represented in the board	Of the family firms have the family as chair of the board	Of the family firms have the family as the majority in the board	Of the family firms have a family member both as the CEO and as chair of the board

Figure 10: owner involvement in Norwegian family firms [2]

We have not identified any demand for an official definition of family business in Norway. An official definition will also have its disadvantages. Since it is difficult to find the perfect definition, an official definition will also have it limitations in implementation. The numbers referred to in this report is mainly form the CCGR database at the BI Norwegian School of Management [2]. All the industry associations actively work for consistent and acceptable legal and economic conditions for private ownership. A priority for many years has been to remove or reduce the wealth tax.

Virke, the enterprise federation of Norway has 22,000 member companies in the retail and service industries. A majority of the members are family firms. Virke works to improve the conditions for Norwegian, private ownership. Our members contribute to society through employment, product and services delivery as well as taxes. The wealth tax on investment in business activities is detrimental to Norwegian companies and workplaces. Inheritance tax will also affect Norwegian ownership by generational transfer of ownership, for example by selling companies to foreign owners (who do not pay wealth tax on working capital), Jarle Hammerstad, Head of industry plitics, Virke

Numbers

When comparing Norwegian family firms with global figures, the family firms represent 70% of all private firms, but employment and contribution to the GDP are significantly lower than the global figures.

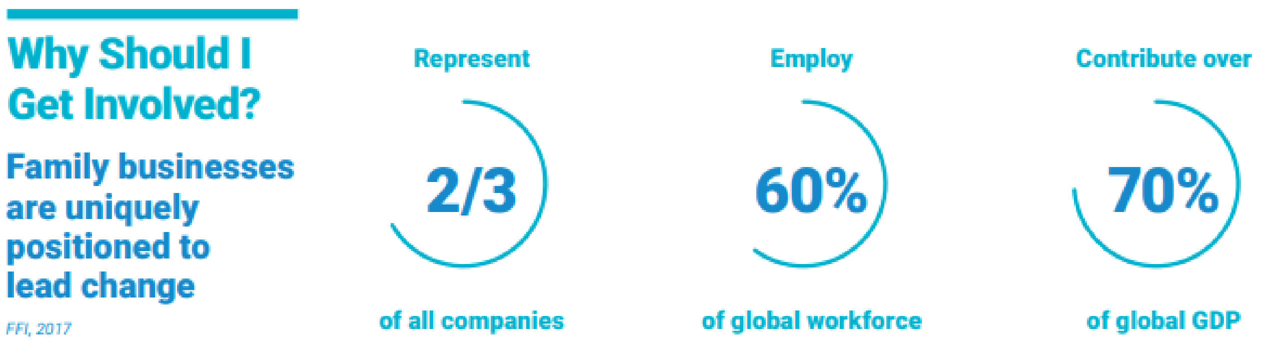


Figure 11: Global figures of the importance of family firms in the global economy [X]

According to the CCGR database 70% of all private companies (AS and ASA) in Norway are family firms, or 80.000 companies. Family firms tend to be smaller than the non-family firms. The median family firm is about 60% the size of the median non-family firm, employ 3 people, and has a revenue of NOK 3.7 mill. 70% of the family firms have less than 10 employees and below NOK 10 million in revenue. About1% of the family firms have more than 100 employees and above NOK 100 million in revenue. The remaining 28% have 10-100 employees and NOK 10-100 million in revenue. The 1% largest family firms encounter 359 firms. For comparison 1.108 non-family firm have this size. [2] Family Investment companies, which manage large portfolios with relatively small teams, will not be included among the largest category of firms, due to the categorization being based on revenue and employment.

The Norwegian version of Forbes 500 is published annually by the Norwegian magazine, Kapital. The 500 largest private companies in Norway had a total revenue of NOK 4.025 billion and employed 875.000 people in 2018 [3]. Out of these 500 companies, 149 are Norwegian family firms when we apply the BI definition. These 149 family firms had a total revenue of NOK 828 billion and employed 264.633 people in 2018. The family firms share of the total turnover of the 500 largest firms constitute 20,6% and 30,2% of the total employment. Of the top ten companies of the list, six are fully or partly owned by the state, two are family owned and two are cooperatives. The largest company Equinor alone stand for 16% of the turnover. The first family firm out of the 500 largest firm is number five. In addition to the 149 family firms identified by applying the BI definition, there are several firms with family ownership below 50% and firm owned by foreign families, like Swedish Hennes & Mauritz, IKEA and Claes Olson and Danish JYSK. [3]

Statistics Norway (SSB) publish statistics of employment in Norway. Family firm as parameter or definition that don't exist in any of the statistics in Statistics Norway. The employment statistics include among other geography, industry, gender and public or private sector. I 2018 the total employment in Norway was 2.756.000. Out of this 835.600 are employed in the public sector and 1.920.400 in the private sector [4]. Out of the employment in private firms, family firms employ 33% according to the CCGR database [2]. Based on this information our estimate indicated that approximately *630.000* persons are employed by family firms.

Sectors

Family firms are well represented in all industries, with a total domination in industries like forestry, farming and fishing. Several value chains like food production or maritime are almost exclusively family firms from idea to the customer. The single industry with highest number of family firm is retail with 22.780 family firms.

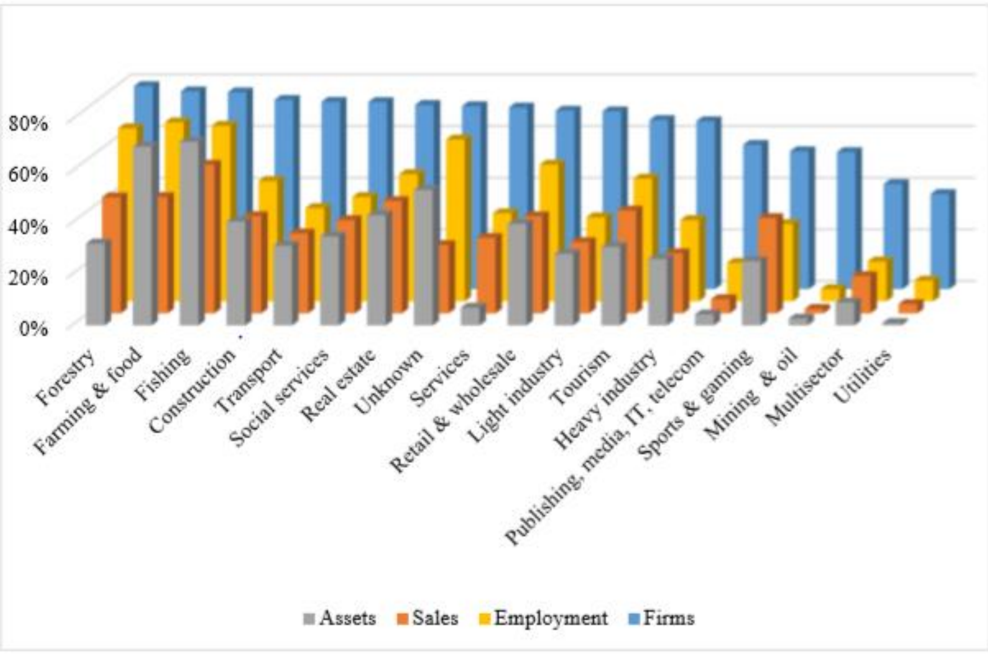


Figure 12: Number of firms, employments, sales and assets presented by industry [2]

The CCGR database include companies with limited responsibility (AS) and listed companies (ASA) [2]. Menon Economics did an ownership study in 2009. [9] According to this study private ownership is dominant with 89% of the companies. Foundation and cooperatives are the ownership type in in 9.795 of the companies, but the majority of these are relatively larger that the family firms. The cooperatives represent 2,8 million members, 88.000 employees and a revenue of NOK 170 billion [8]. Several of the cooperatives are owned by farmers, like the largest dairy, Tine owned by 11.400 farmers or the largest meat and egg producer; Nortura owned by 18.300 farmers. Most of these 29.700 farmers will also be classified as family firms with ownership being transfer across generations.

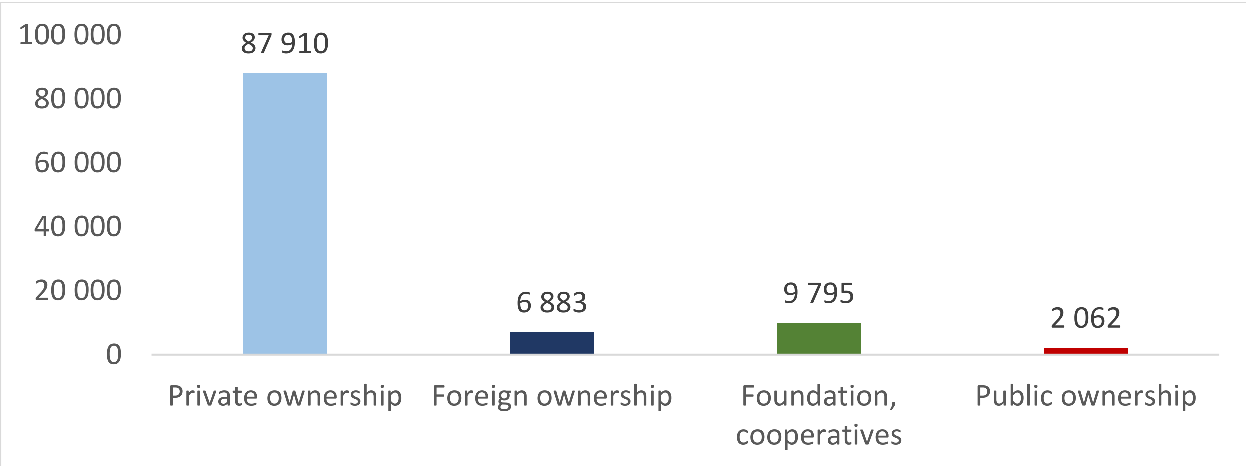


Figure 13: Number of companies represented by ownership in 2009 [9]

Generations

Qualitative date regarding what generation are in control is not available in Norway. To use the company age in the database combined with a rule of average length of a generation in order to calculate generation in control is not an alternative. Many companies have changes legal form or ownership have been transferred to new company structures due to tax reasons. Menon Economics was assigned a project from the government to find among other figures on ownership, access to capital and transfer of ownership. These data do not say anything about the reason for change of ownership, consequently we do not know if the transfer is within the family or not. Menon Economics have counted the number of ownership transfer between 2012-2015. On average 4% of the companies changed ownership annually [12]. An older study found owner changes in 34% of the limited companies (AS) in the period 2000-2007 [11]. The large number of changes of ownership during these years was caused by changes in the tax system in 2006. Due to the new tax regime, businesses increasingly organized ownership in corporate structures, holding companies or other type of parent companies. Ownership through corporate structure makes succession in family firms more complex, and the unit of analysis became more difficult to identify for data collection purposes.

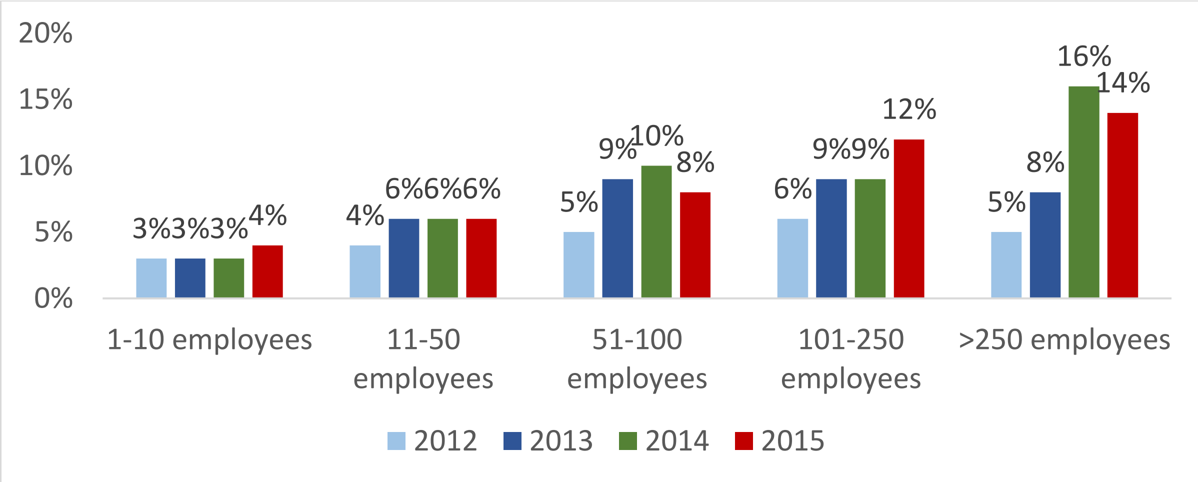


Figure 14: Transfer of ownership presented by company size 2012-2015 [12]

When Menon Economics controls change in ownership against company age. They find more transfer of ownership among older firms. The probability of transfer of ownership is twice as high for companies older than 40 years, that companies younger than 20 years, The study also find more transfer of ownership in larger firm [12].

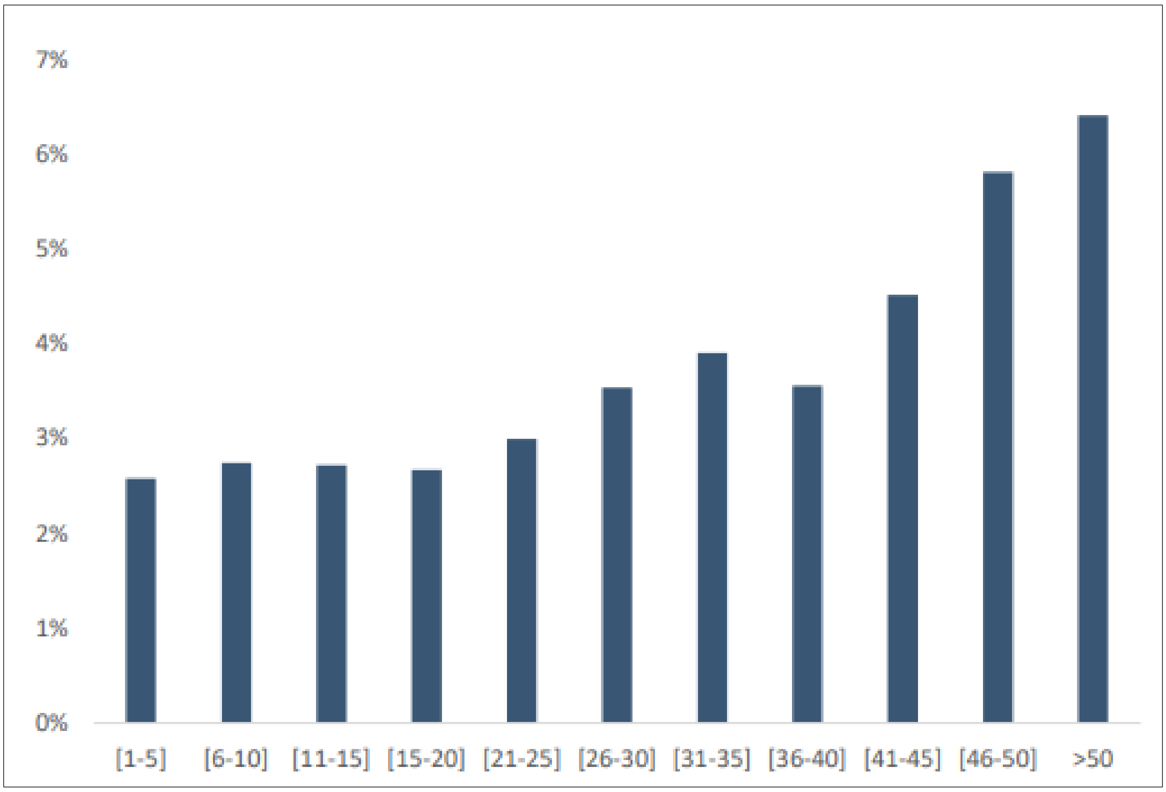


Figure 15: Transfer for ownership presented by company age 2012-2017 [12]

Succession Failure

There is no quantitative data available on succession failure. It will only be stories from the newspapers or the court system.

Historic influence

Norway have a long tradition of family ownership, and the number of family firms have increased with the growth in the country. Currently when there is not inheritance tax, families can transfer the ownership when they are ready. With inheritance tax transfer of ownership need to be planned to ensure that the new owner can manage the tax burden by inheriting the ownership. Transfer would be spread over several year to divide the tax burden or transfer will happen in years with lower business value due to investments or performance.

For farms the allodial rights have been part of our constitution from 1814. Until 1974 the allodial right followed the oldest son, but after1974 the genders have equal allodial rights. Similar rights do not exist in the constitution for family firms, but there seems to have been a tradition for many families to follow a similar principle for family firms until the last couple of decades. What is best for the enterprise have for many owner priorities over what if fair among siblings. Together with the ambition of keeping the firm together. We see some families who have followed the allodial principle for 2-3 generations, until a transfer to sibling in the most recent succession.

Government Priority

Private ownership is a political priority. Past years the government have appointed various committees with the mandate to evaluate the effect of various taxes on companies and owners or companies access to capital. Currently a study of the effect of wealth tax on companies are in the making by a research institute, ordered by the ministry of industry.

Learning possibilities

The state provides information regarding the current taxed or fees applicable for ownership transfer. Numerous advisors, like layers and auditors provide some generic information for free through their webpages and seminars in addition to paid consulting to assist in specific succession.

Digital capabilities of family businesses

Internet penetration is high in Norway and digitalization of public services have been successful.

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Spain

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Country:	Spain		
Date:	24/01/2020		

Summary

Spain has a business network with a high predominance of family businesses. Some 88.8% of Spanish companies are family businesses and are responsible for 57.1% of the private sector's GDP. Only 8.9% of the businesses have a written family protocol and 61.1% of the businesses that do not have a protocol do not have a succession plan either. There is a high failure rate in the succession of family businesses, since 70% of them do not pass on to the second generation, and of the 30% that do, only 15% remain active in the third generation.

Report

The report has been developed using as a main source of information the researches published by the Instituto de la Empresa Familiar (Institute for Family Business, hereafter IFB) and different guides from the ministry, as well as the compendium of Spanish legislation on family businesses and publications written by experts on family business. Similarly, in addition to documentary research, several experts from the Network of Chairs of Family Businesses have been contacted, as well as experts from the IFB and the Ministry of Economy.

Definition

Spanish legislation on family businesses contains a large number of laws, royal decrees and resolutions, among which, if we go specifically to Royal Decree 171/2007 of 9 February, which regulates the advertising of family protocols, we can read at the beginning:

> *"A large part of the Spanish business fabric is made up of family companies in the broad sense, that is, those in which* ***ownership or decision-making power belongs, wholly or in part, to a group of people who are blood relatives or related to each other.*** *This economic, juridical and social reality obliges to take into consideration their peculiarities and the licit self-regulation of their own interests especially in relation to*

the succession of the family business, removing obstacles and providing instruments to the legal operator".

In this prologue to the law we can draw two conclusions of interest for the scope of study of this report:

1. That Spanish legislation, indirectly, defines a family business as one in which the *ownership or decision-making power belongs, wholly or in part, to a group of people who are blood relatives or related to each other*.
2. That Spanish legislation understands the particular reality of the family business considers its peculiarities and considers the need to legally support the act of business succession "by removing obstacles and providing the legal operator with instruments".

It was in the field of fiscal law that the legislator began to become aware of the importance of defining and delimiting the family business, with 1993 being the first year in which the concept of the family business was introduced, in this case in the amendments to the inheritance tax law.

The clear definition of a family business comes to private law through RD 171/2007, of 9 February, which regulates the publicity of family protocols, although it had previously been taken into account but not defined through Law 7/2003, of 1 April, on the New Enterprise Limited Company.

BOLETÍN OFICIAL DE LAS CORTES GENERALES

SENADO

VII LEGISLATURA

Serie I:
BOLETÍN GENERAL — 23 de noviembre de 2001 — Núm. 312

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PONENCIAS DE ESTUDIO

543/000005

PRESIDENCIA DEL SENADO

Se ordena la publicación en el Boletín Oficial de las Cortes Generales del **Informe** de la Ponencia de Estudio para la problemática de la empresa familiar, constituida en en seno de la Comisión de Hacienda.

Lo que se publica para general conocimiento.

Palacio del Senado, 21 de noviembre de 2001.—P. D., **Manuel Alba Navarro,** Letrado Mayor del Senado.

La Ponencia de Estudio para la problemática de la Empresa Familiar, constituida en el seno de la Comisión de Hacienda, e integrada por los Excmos. Sres.: D. Francisco Xabier Albistur Marín (GPSNV), Dª Carmen Álvarez-Arenas Cisneros (GPP), D. Sixte Cambra i Sánchez (GP-CiU), D. Damián Caneda Morales (GPP), D. Carlos Chivite Cornago (GPS), D. Eduardo Gamero Mir (GPP), D. Joan Lerma Blasco (GPS), Dª Claudina Morales Rodríguez (GPCC), D. Anxo Manuel Quintana González (GPMx) y Dª María del Mar Simonelli Muñoz (GPP), tiene el honor de elevar a la Comisión de Hacienda el siguiente

INFORME DE LA PONENCIA DE ESTUDIO PARA LA PROBLEMÁTICA DE LA EMPRESA FAMILIAR

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— 1 —

The body that promoted the definition of the family business in Spain and its particular consideration in Spanish legislation was the Senate, but no official definition was ever made by the public administration. On 26 September 2000, it was agreed in the Senate plenary session to create a "Study Paper for the Problem of Family Businesses" within the Finance Committee with the task of drawing up a report "that includes, in an exhaustive manner, all those matters that, in the complex reality of family businesses, could be the object of specific legal regulation". The result of the study was the approval, on 23 November 2001, of the "Report of the study paper for the problems of the family business", a report that identifies from the beginning, in its first paragraph, the challenge of "overcoming generational changes within them" for which it proposes in its second recommendation:

"2nd. To recommend to family businesses the formalisation of a Family Protocol, as an agreement that delimits the framework of development and the rules of action and relations between the family business itself and its

property, without this implying any interference in the management of the business and its communication with third parties. It is considered that the Family Protocol is the most appropriate instrument, among other purposes, (...) and, in general, ***to anticipate the succession of the founders of such companies, creating a framework that guarantees continuity and encourages the interest of the family or families in the companies****, and at the same time the general interest by contributing to their gaining in size and competitiveness".*

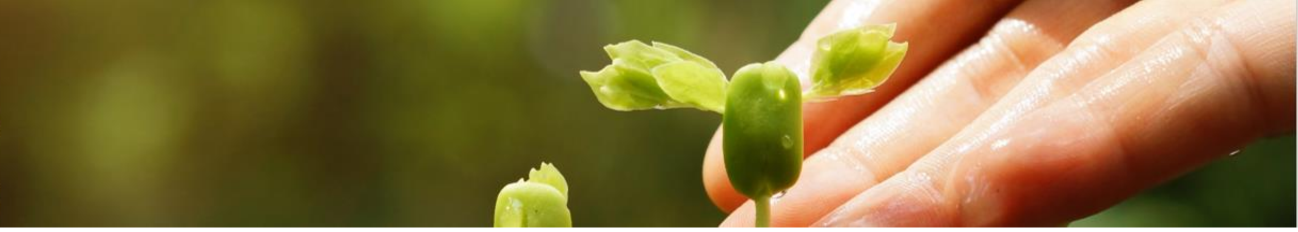
In 2008, the IFB adopted the definition of a family business agreed by the European Family Business (EFB) and the Board of the Family Business Network (FBN), which sets out the conditions for being considered a family business:

- The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
- The majority of decision-making rights are indirect or direct.
- At least one representative of the family or kin is formally involved in the governance of the firm.
- Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25% of the decision-making rights mandated by their share capital.

Numbers

It is difficult to have reliable data sources that identify family businesses in the Spanish economy due to the lack of agreement on their definition. The data provided by the different studies on the situation of family businesses in Spain vary widely depending on the definition of the object of study, this being a key aspect for interpreting and using the data correctly.

To show the image of the family business in Spain in this National Report we will use the data from the Instituto de Empresa Familiar (IEF) through its two main studies published on this area: *The Family Business in Spain* (2015) and *Competitiveness Factors and Financial Analysis in the Family Business* (2018) as these are the studies that, through the network of Family Business Chairs, have established a solid and reliable study methodology at the macroeconomic level.



This research adopts as definition of Family Business, the one agreed in 2008 in Brussels by the European Group of Family Businesses (GEEF) and in Milan by the Board of the Family Business Network (FBN), previously described in this report.

Distribution by official size	%
Up to 9 (micro)	24.1
10 to 49 (small)	65.7
50 to 249 (medium)	8.7
More than 250 (large)	1.5
Total	100.0

It is estimated that 1.1 million companies are family businesses in Spain, **88.8% of the total number of companies**. They currently create 66.7% of private employment, with a total of more than 6.58 million jobs, and are responsible for 57.1% of the private sector's GDP.

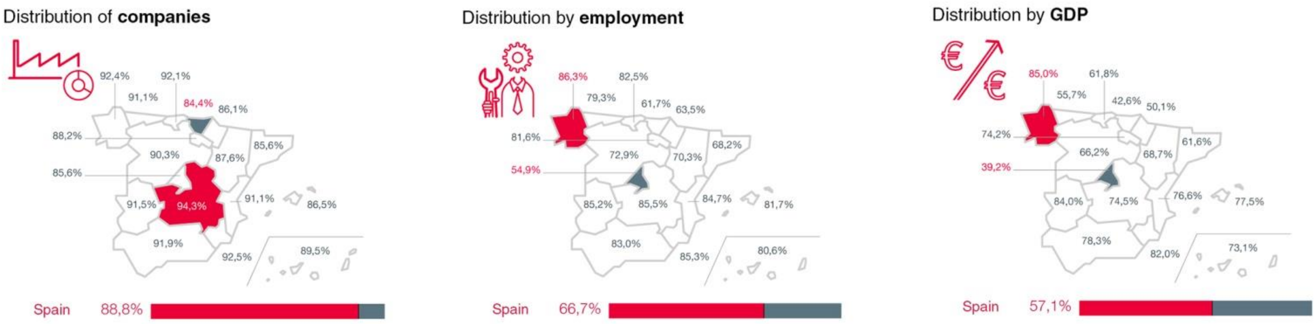


Figure 16. Source: Instituto de la Empresa Familiar (IFB). The Family Business in Spain (2015).

Family businesses provide the economy with approximately twice as many jobs as non-family businesses together Inc. and Ltd. and generate more jobs per euro invoiced. The average size of family business in Spain is 28.8 employees.

The family business is present in all sectors of the Spanish economy, with a high presence in the construction sector, commerce, agriculture and industry.

Non-family businesses have a greater presence when we talk about large businesses, but despite this, in the large business section, family businesses represent more than 50% of the total.

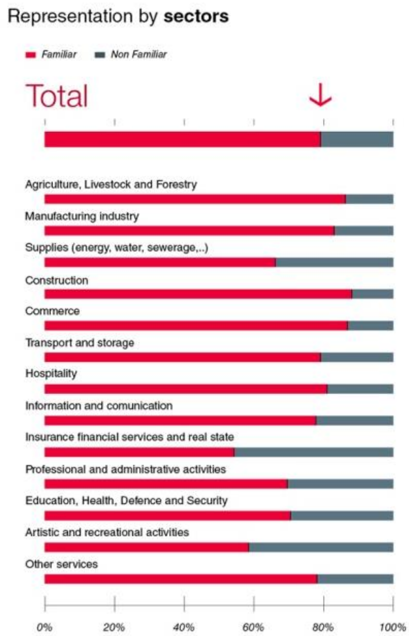


Figure 17. Source: Instituto de la Empresa Familiar (IFB). The Family Business in Spain (2015).

The longevity of family businesses in Spain is particularly high, with the average age of 33 years compared to the average age of all Spanish businesses as a whole, which is around 12 years.

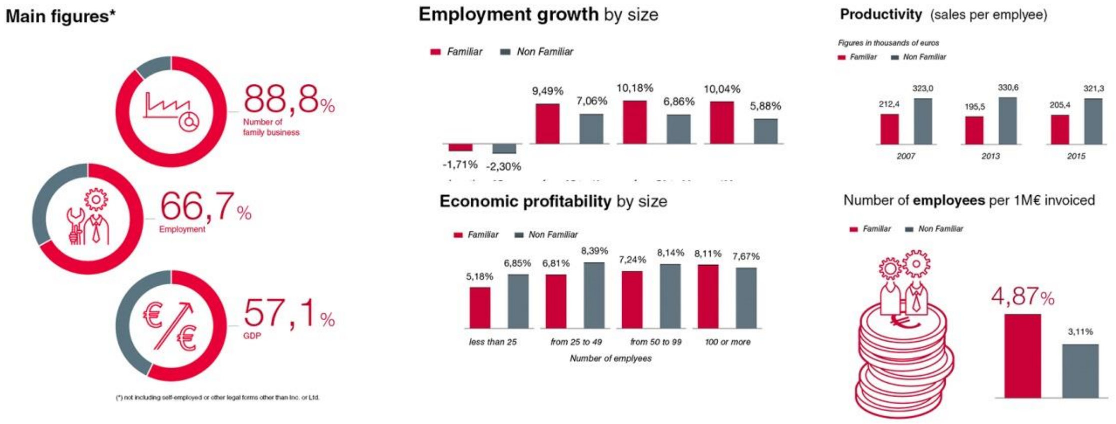


Figure 18. Source: Instituto de la Empresa Familiar (IFB). The Family Business in Spain (2015).

In the percentage distribution of family businesses by generation, we find that 53.6% of businesses are first generation, 37.3% belong to the second generation and 9.2% to the third or subsequent generations.

Most businesses, 49.3%, have a Board of Directors as governing body, while 36.3% have a Shareholders' Board, almost a third (30.2%) have a Family Council and a few less have a Family Assembly (26.8%).

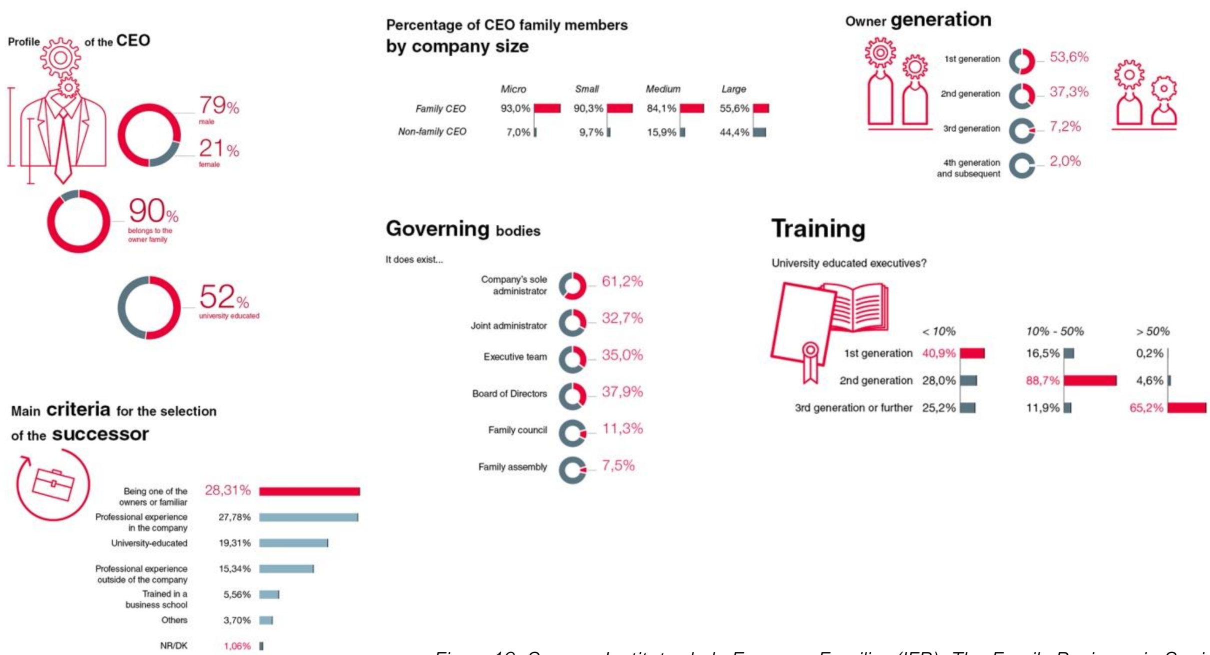


Figure19: Source: Instituto de la Empresa Familiar (IFB). The Family Business in Spain (2015).

When we analyse the CEOs or managers of family businesses in Spain, we find that a large majority are men (63.1%) and members of the owner family (73%) with an average seniority in office of 15.1 years.

The businesses analysed in the research carried out by the IFB are characterised by the high family component in the ownership, reaching an average of 94.2% of the share capital. The family presence reaches the entirety of the share capital in 85.5% of businesses, therefore only in 14.5% of cases do family owners exist alongside external shareholders.

With regard to the level of training of directors, 44.5% of family directors have a university education and 36.5% have experience in other businesses. Although in the group of those without a university education, there may be a significant number of business founders who have built up a business project through their initiative and hard work, both aspects as a whole indicate that there is a margin for professionalization and training.

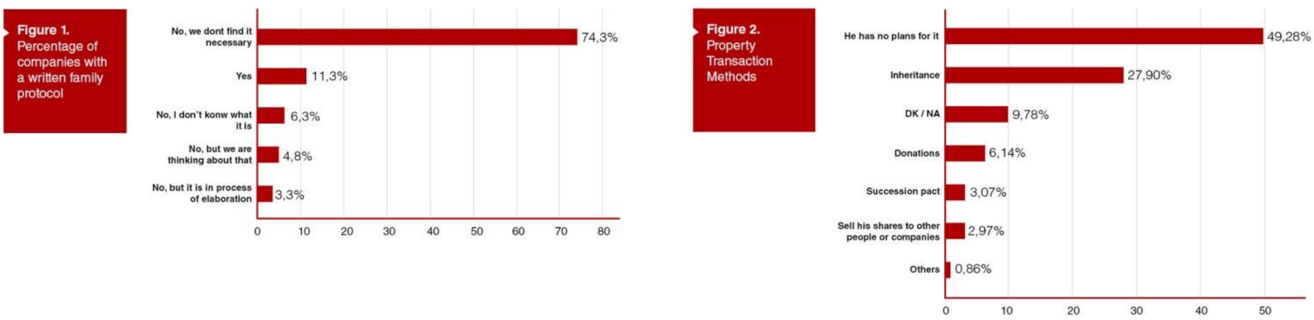


Figure 20:.Source: Instituto de la Empresa Familiar (IFB). The Family Business in Spain (2015).

According to IFB data, only 8.9% of Spanish family businesses have a written family protocol. 77.8% of family businesses did not consider it necessary and 3.7% did not know what it was. The effort made by organizations and the administration to regulate and disseminate the benefices of having family protocols has meant that most companies know what the protocol is but do not consider it a useful or necessary instrument in their case.

Existence of family protocol	%
Yes	8.9
No, but it is being produced	2.7
No, but we are thinking of it	6.8
No, because we do not think it is necessary	77.8
No, we do not know what it is	3.7
Total	100.0

Existing family protocols include questions on the restriction on the transfer of shares (72.7%); on a second level, it tackles rules on the incorporation and departure of family members (57.6%); and on a third level, the other questions such as share valuation methods (30.3%), rules for remuneration of family members (27.3%), inter alia. In half the cases, the protocol is signed by all the members of the family, and rarely by in-laws.

Two out of three family businesses in Spain still have no plans regarding the form of transfer of ownership. If we combine disinterest in the subject with disinformation about the tax framework, we are undoubtedly facing a very complex scenario that may become an insurmountable factor, preventing the transfer of profitable business projects. Among the companies that have already considered their transfer plans, inheritance (24.2%) is the fundamental form of transfer compared to donation (5.6%). Only a minority (2.4%) consider selling the property.

Transfer of ownership	%
No plans in this respect	67.7
Through inheritance	24.2
By donations	5.6
No, they will sell their share to other persons or businesses	2.4
Total	100.0

Concerning the succession process, 36.4% of family business have agreed on the succession process of the main manager of the business; 6.2% state that they are in the process of doing so, and 57.5% have not agreed on it yet.

The success of the succession process depends on its planning, including the criteria that the successor must meet and the way in which it will be carried out. The existence of a family protocol is clearly related to the planning of the succession as 61.1% of the businesses that do not have a protocol do not have a succession plan either, while of the businesses with a protocol, only 28.9% have not started to even plan the succession.

Some 44.4% of businesses have defined criteria for choosing the successor. The most common criterion in choosing the successor is being a member of the owner family (73.1%), followed by professional experience in the business (45.4%). This result is consistent with the relatively low percentage of family directors with a university education and external experience that we mentioned in previous sections since, as we now see, the principal criteria are being a member of the family and having experience in the business. These data confirm the management professionalisation gap that still exists in Spanish family businesses.

When it comes to tax framework knowledge, some 37.5% of businesses that have a strategic plan are aware of the tax framework compared with 23.3% of the ones that do not have one. Something similar occurs in the planning of the management succession. When businesses have set succession criteria and they have share and protocol valuation methods, the knowledge of the tax framework is clearly greater.

Succession	
Protocol	9%
Succession plan	36%
Family member criterion	73% (with succession plan)
Transfer of ownership with no plans	68%

Success

Although family businesses, like any other business, are suffering from crises of adaptation to the environment, growth and maturity, they are also more specifically affected by problems of succession. In fact, 70% of family businesses do not pass on to the second generation, and of the 30% that do, only 15% remain active in the third generation.

The fact that the succession of the family business is sometimes a source of conflict of all kinds denotes an obvious lack of professionalism in the company. These conflicts, which have direct negative effects on companies, are due to several reasons:

- Succession itself: it is a critical moment that involves many different problems at the family, patrimonial and business level.
- Overlapping of two systems, family and business: double roles and lack of separation between both areas.
- Personal preferences: not differentiating between the affections and the good of the company in management when it comes to assigning salaries or positions.
- An excessively personalized system: lack of flexibility and excessive personalism in management.
- Emotionality: working with family members can add an extra emotional component to any interaction.
- Generational clash: the ideas of the younger generation clash with the traditional vision.
- Not knowing how to delegate: delegation is blurred, sometimes due to the existence of essential people.
- Lack of mechanisms: absence of rules and treatment of problematic situations.
- Confused responsibilities: overlapping of roles and functions without clear definition or undefined.

Despite the important weight in our economy of the family business and the recognition of its importance by the administrations, experts in the field still assure that the succession in the family business is not within the priorities of the government.

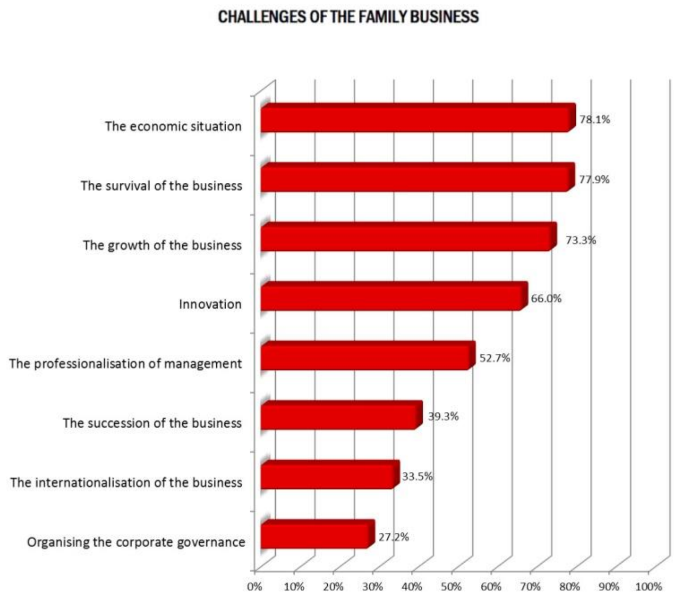


Figure 21: Source: Instituto de la Empresa Familiar (IFB). The Family Business in Spain (2015).

Even for the family businesses itself, the succession of the business is perceived as a challenge for the family business only for 39.3% of them.

Concerning the training related to this topic, although there is a wide range of formal academic education on the subject of family businesses, through business schools and the Family Business Chairs, there is no specific training on the issue of family succession, although there are recommendations in the conclusions of the Senate papers suggesting that this aspect should be improved. Training related to family businesses in Spain has an academic format in which there is no free access.

As a conclusion of this national report we could highlight that training is an aspect of improvement with a lot of margin to achieve great benefits for the family business in Spain, and that the awareness of the importance of implementing family protocols that include the succession plan is fundamental to improve the capacity of success in the generational transfer of the companies.

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Definition of family business

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United Kingdom

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Date:	January 2020		

Summary

Family businesses and firms are an integral part of the UK economy comprising 85% of UK businesses and employing over 12 million people in the country. 85% of businesses in the UK are family owned and they contribute 25% of the GDP of the UK. In short, family businesses are truly the backbone of the UK economy.

However, whilst the impact of the UK economy from family business is huge, there is nothing in UK law that defines a family business. Key definitions come from organisations such as the IFB (Institute for Family Business) rather than Companies House. This means that data gathering for family business can be problematic even though there are some extremely detailed reports available. Data such as family business structures, learning engagement and requirements and efficient successions are difficult to source.

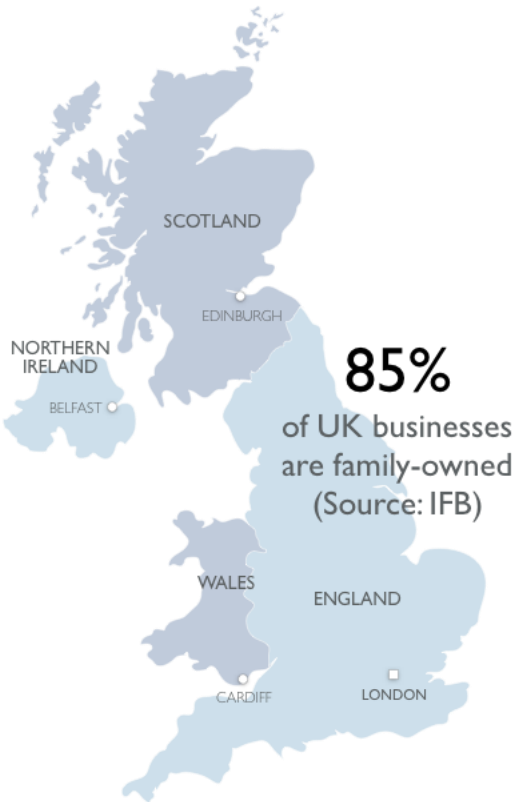
Local and national economic development organisations such as Scottish Enterprise, Business Gateway and trade organisations such as the Federation of Small Business have all instigated projects and developed products to assist and smooth out family business succession planning, but all have lacked longevity and sustainability. In short, there are learning materials available for the legal transfer of ownership, but we found very little detailed coverage of the secondary elements surrounding successful succession planning such as the psychological effects, leadership vs ownership, goodwill, owner financial planning or timescales. It is hoped that the SUFABU project will be able to fill some of these knowledge gaps with relevant and helpful information and learning.

This report has been developed via a combination of desk-based research and discussions with relevant organisations such as Scottish Enterprise (Scotland's national economic development agency and a non-departmental public body of the Scottish Government), Federation of Small Business (a UK business organisation representing small and medium-sized businesses), Business Gateway (a Scottish Government resource that offers advice and guidance to start-up companies and established companies across Scotland) and also with discussions and conversations with small and medium sized family businesses.

Data

According to the Department for Business, Energy and Industrial Strategy, family-run SMEs count as '**businesses which are majority owned by one or more members of the same family**'. The Institute for Family Business (IFB) (Institute for Family Business, 2020) class a business as a family enterprise if:

1. The majority of votes are owned by the person or persons who established the firm, or those who have acquired the share capital of the firm or who are in the possession of their spouses, parents, child or child's direct heirs.
2. The majority of votes may be indirect or direct.
3. At least one representative of the family or kin is involved in the management or administration of the firm.
4. Listed companies meet the definition of a family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25% of the right to vote as mandated by their share capital.



At the time of writing, there is no legal definition of family business in the UK and discussions with relevant parties seem to indicate that there is no expectation of any legal definition appearing in the near future.

There are currently 4.8 million businesses in the UK that are classed as family owned, up to 85% of all UK business, and these family businesses generate over 25% of UK GDP therefore having a huge effect on the nation's economy. In 2017, the family business sector contributed £182,000,000,000 in taxation whilst employing over 12 million people in the UK.

Real Business (RealBusiness, 2018) expand on these figures by splitting these figures to suggest over 120,000 businesses considered themselves small family businesses employing up to 49 people, whilst over 15,000 businesses consider themselves medium sized family businesses. They further suggest that a large number of family businesses are increasing their workforces either now, or expect to do so in the future therefore growing the national economy.

Size	Number of family businesses	% of all family businesses	Number of private sector businesses	Family business as %age of all private sector
Micro (0 employees)	3,871,349	80.4	4,172,185	92.8
Micro (1-9 employees)	806,131	16.7	1,081,425	74.5
Small (10-49 employees)	120,065	2.5	203,550	59.0
Medium (50-249 emp.)	15,725	0.3	33,310	47.2
Large (>250 employees)	785	0	7,200	10.9
	4,814,055	100	5,497,670	87.6

(Source IFB (2018))

As the above table clearly shows, family business comprises the majority of all UK businesses that have under 250 employees. Franks et al. (2009) suggest that the reduction in large family businesses (over 250 employees) could be due to the need for external finance to scale and grow, thereby diluting the family shareholding (if this route for raising finance is taken).

The IFB State of the Nation report (The State of the Nation - The UK Family Business Sector 2017–18, 2018) provides even more detail and information. According to the report, 38% of medium-sized family-run businesses were in at least their second generation with 3% in at least their fifth.

Considering the employment opportunities that family businesses provide in the UK, the table below clearly shows that family businesses are integral to the UK employment economy.

Size	Family business employment	Share of all family firm employment (%)	Private sector employment	Family business employment as share of all private sector (%)
Micro (0 employees)	4,209,000	34.5	4,535,000	92.8
Micro (1-9 employees)	2,965,000	24.3	3,978,000	74.5
Small (10-49 employees)	2,342,000	19.2	3,971,000	59.0
Medium (50-249 emp.)	1.534.000	12.6	3.250.000	47.2
Large (>250 employees)	1,141,000	9.4	10,470,000	10.9
	12,192,000		26,205,000	46.5

(Source IFB (2018))

As can be seen, family businesses provide over 12 million employment opportunities for the UK economy and indeed provide just under 50% of all private sector employment opportunities – again, family businesses are critical to the UK's economic output.

IFB (2018) provide detailed data on the turnover and gross value-added contributions of the family business sector in the UK during 2016, and split this data into industry sectors.

Sector	Turnover (GBP)	Gross Value Add (GBP)	Share of family business sector GVA (%)
Wholesale and retail	511,735,000,000	77,613,000,000	14.9
Real estate, renting and business activity	267,500,000,000	155,850,000,000	30.0
Construction	157,738,000,000	61,083,000,000	11.8
Transport, storage and communications	135,515,000,000	69,045,000,000	13.3
Manufacturing	132,575,000,000	42,545,000,000	8.2
Financial Services	46,655,000,000	25,426,000,000	4.9
Other community, social and personal services	37,590,000,000	14,634,000,000	2.8
Health and social care services	36,605,000,000	22,986,000,000	4.4
Hotels and restaurants	36,391,000,000	19,388,000,000	3.7
Agriculture and extraction	35,451,000,000	15,206,000,000	2.9
Utilities and waste management	27,565,000,000	8,437,000,000	1.6
Private education, tutoring and training services	13,430,000,000	6,994,000,000	1.3
Total Economy	**1,438,750,000,000**	**519,206,000,000**	

(Source BEIS (SBS, 2016) and Oxford Economics)

As the table shows, family business is represented across many of the key industry sectors in the UK. Whilst the wholesale and retail sectors provide the highest turnover of family business sectors, the gross value add is strongest within the real estate and associated activity sector.

No matter which sector is largest, the fact that family business contributes 35.2% of the overall UK turnover and 36.4% of the UK economy GVA reiterates the massive contributions they make to the overall UK economy.

Looking at family business generations, according to SBS 2016, 86% of all family firms in the UK are first generation with 8.5% being through one succession process into their second generation and 3% being at their third generation. Generational differences can be seen amongst business sizes with just under 90% of micro business being first generational as opposed to just over 62% of medium sized businesses employing 50-249 employees.

Finally, if we investigate sector numbers, we find that the real estate sector is the largest in terms of general numbers of firms, and also provides the most employment opportunities with over 2.7 million jobs within the sector. Interestingly, by looking at the number of firms and employment, we find that the Construction sector businesses tend to be smallest in terms of employment per business (1.56) although the far smaller Education sector only brings in 1.3 employees per firm. The hotel and restaurant sector provide the highest average employee numbers per firm at 6.3.

Sector	Number of family firms	Share of all family firms (%)	Family firms as share of private sector firms (%)	Family firm employment (1000's)	Family firm employment as share of private sector employment (%)
Real estate, renting and business activity	1,208,028	25.1	87.0	2,775	46.4
Construction	910,769	18.9	93.4	1,422	69.5
Transport, storage and communications	589,133	12.2	90.4	1,201	43.7
Wholesale and retail	470,992	9.8	86.5	2,005	39.9
Other community, social and personal services	444,603	9.2	80.0	747	54.3
Private education, tutoring and training	285,793	5.9	91.5	389	67.2
Health and social care services	277,450	5.8	79.8	859	48.9
Manufacturing	235,067	4.9	88.5	1,126	43.3
Hotels and restaurants	153,387	3.2	82.7	980	45.0
Agriculture and extraction	151,009	3.1	96.1	364	76.5
Financial Services	70,655	1.5	79.2	241	22.3
Utilities and waste management	17,170	0.4	69.1	82	22.6
Total	**4,814,055**		**87.6**	**12,192**	**46.5**

(Source Oxford Economics, BEIS (SBS, 2016), and CMRC and UNIEI (2011))

From a Scottish perspective, data from SBS 2016 indicate 293,973 family businesses in the nation comprising just over 90% of all private sector firms. Again, in Scotland, these family businesses provide 839,000 employment opportunities which equates to just under 49% of all private sector employment and just over 30% of all employment opportunities in Scotland.

Current Situation

As mentioned previously within this report, whilst there is no legal definition of a family business within the UK, national economic development agencies such as Scottish Enterprise (SE) understand it is a vital area of the economy. Historically, SE and the Scottish Government (SG) have made a few attempts at improving family business succession through various products and projects, however they admit themselves that these have not been sustainable in the long-term.

Existing Resources

The Federation of Small Business (FSB) in the UK do have legal resources to assist family businesses go through the succession process, however these pretty much cover just the legal transfer of a business from one to another, and do not cover other inputs such as emotional issues, psychological concerns nor intangible assets which form a large part of any succession planning.

There are mentoring products that can be supplied by the likes of SE and Business Gateway (BG) that can assist family business. A good mentor can take a family business through the succession planning and implementation process however SE said there were issues with business owners just 'not listening' to a mentor who may potentially have more experience with the process.

In addition, there are other funded projects that have investigated successful succession such as the Interreg project 'Success through Succession'. Detail on the project outcomes of this project are scarce and there were no generated materials that could be found through desk-based research.

Additional Suggestions, Thoughts and Recommendations

Goodwill

During discussions with one stakeholder, the concept of 'goodwill' was mentioned as a possible issue with any succession planning. Goodwill is a difficult to define concept on a company's balance sheet although Lord MacNaghten during Commissioners of the Inland Revenue vs Muller & Co Margarine (1901) attempted to provide the following:

'it is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of the business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old established business from a new business at its first start.'

With this in mind, goodwill does have a value to a business but if that goodwill resides in the current owner and has been earned through many years of commercial relationships with clients, then any transfer of either ownership or leadership to another family member may well impinge on that goodwill.

Timescales

Timescales were also raised as an issue by a number of the support organisations spoken to. FSB agreed that this was a key requirement for an efficient and smooth transition and that many businesses who may need to go through such a succession, may not be aware of how long it may take to successfully succeed from one owner or leader to another. Indeed, during discussions with organisations, it was generally agreed that the planning should ideally start many years out from the actual expected succession.

Another element of timing that was mentioned by SE was that successions seem to be happening later and later as owners make the assumption that the next generation are 'too young' and 'not willing to wait.' If these assumptions are accurate even if only for a small percentage of family business, they point to a potentially larger issue of friction between current and potentially incoming leader/owners which in itself could reduce the possibility of success of any family succession process.

Leadership vs Ownership

The SE representative that we spoke to during the development of this report mentioned that all experiences point towards 'leadership before ownership', in that ensuring successors take leadership of the family business before taking ownership, is one key method towards improving success rates of succession. This also allows for the trust and confidence of any incoming owner to be built up with employees, customers and other relevant stakeholders, prior to the full succession taking place and can also include other traits such self-confidence and awareness of arrogance to be developed; traits which can disrupt ownership and leadership succession planning.

The Outgoing Owner

SE suggested to us that one key element of successful family business succession planning, and one that traditionally can take some time to find a workable solution is the owners' financial situation post-succession including aspects such as salary and pension provision. In a well-planned succession plan, these issues will be identified at an early stage and owners are recommended to take advice from trusted advisors such as their accountant or company lawyer, or their economic development team account manager who can signpost to experts within the field.

Engagement

Another important aspect to success is for strong engagement before and throughout the process between the current owners, the next generation of potential owners which may include siblings and other family members, as well as the Board of Directors if relevant. It may also be highly beneficial to ensure engagement and conversation between these stakeholders and major customers to facilitate smooth transfer.

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