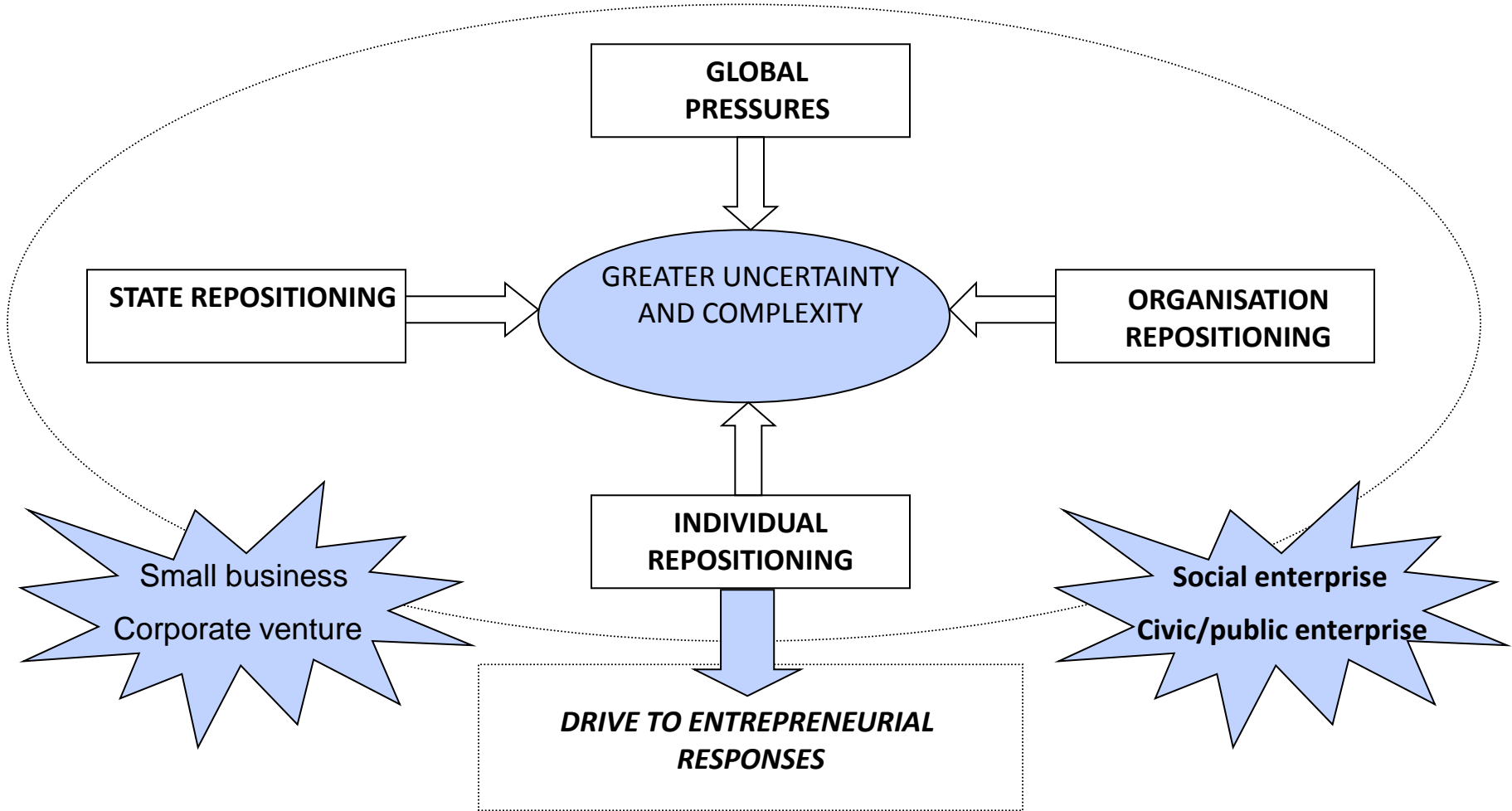


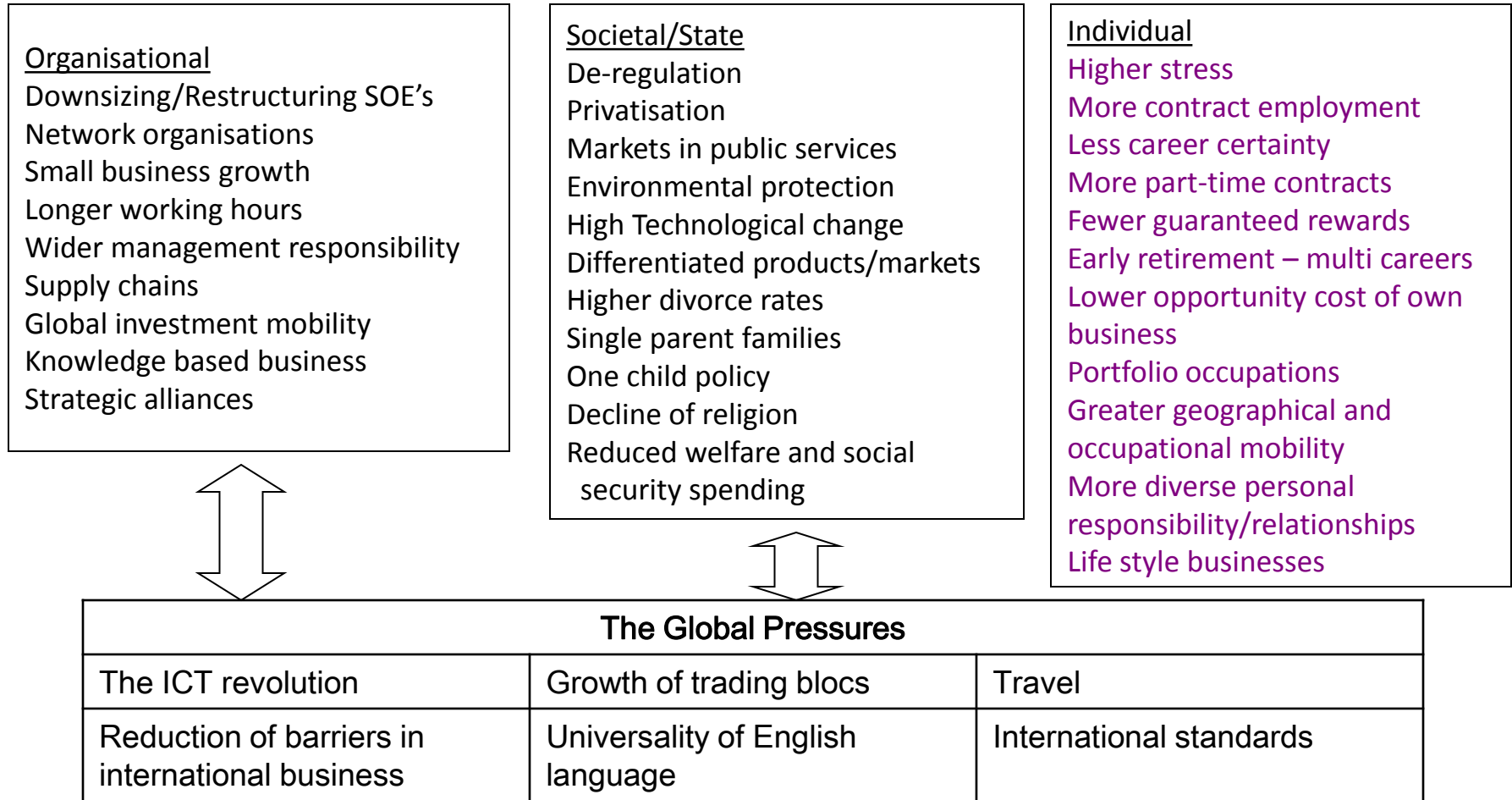
# The Challenges of Family Businesses: growth, transfer of ownership and management

**Yolanda Gibb and Dinah Bennett**

# The Context in which Family Businesses are operating (Gibb 2009)



# Gibb's Model – Entrepreneurial Paradigm



# Family Business Quiz

- **What % of non-governmental GDP in most countries do Family businesses generate?**
- **What % of private sector jobs are created by Family businesses?**
- **What % of business start-ups are started with Family money?**
- **(roughly )What % of net job growth do family businesses represent in any economy?**
- **In most countries around the world, Family businesses are between ?% and ?% of all business entities**

# The importance of Family Business

According to the best available research, the importance of family business has been equated to:

- **GDP** - in most countries around the world they are 60 - 90% of non-governmental GDP
- **Jobs** - in most countries around the world they are 50 – 80% of all private sector jobs
- **Start-Ups** - 85% of all business start-ups are started with family money
- **Job growth** - family business represent more than 75% of net job growth
- **Weighting** - in most countries around the world, family businesses are between 70 and 95% of all business entities

*December 2011 Centre for European Economic  
Research study.*

# What are the challenges facing family businesses?

# Good to Great to Gone

**Good**

**Great**

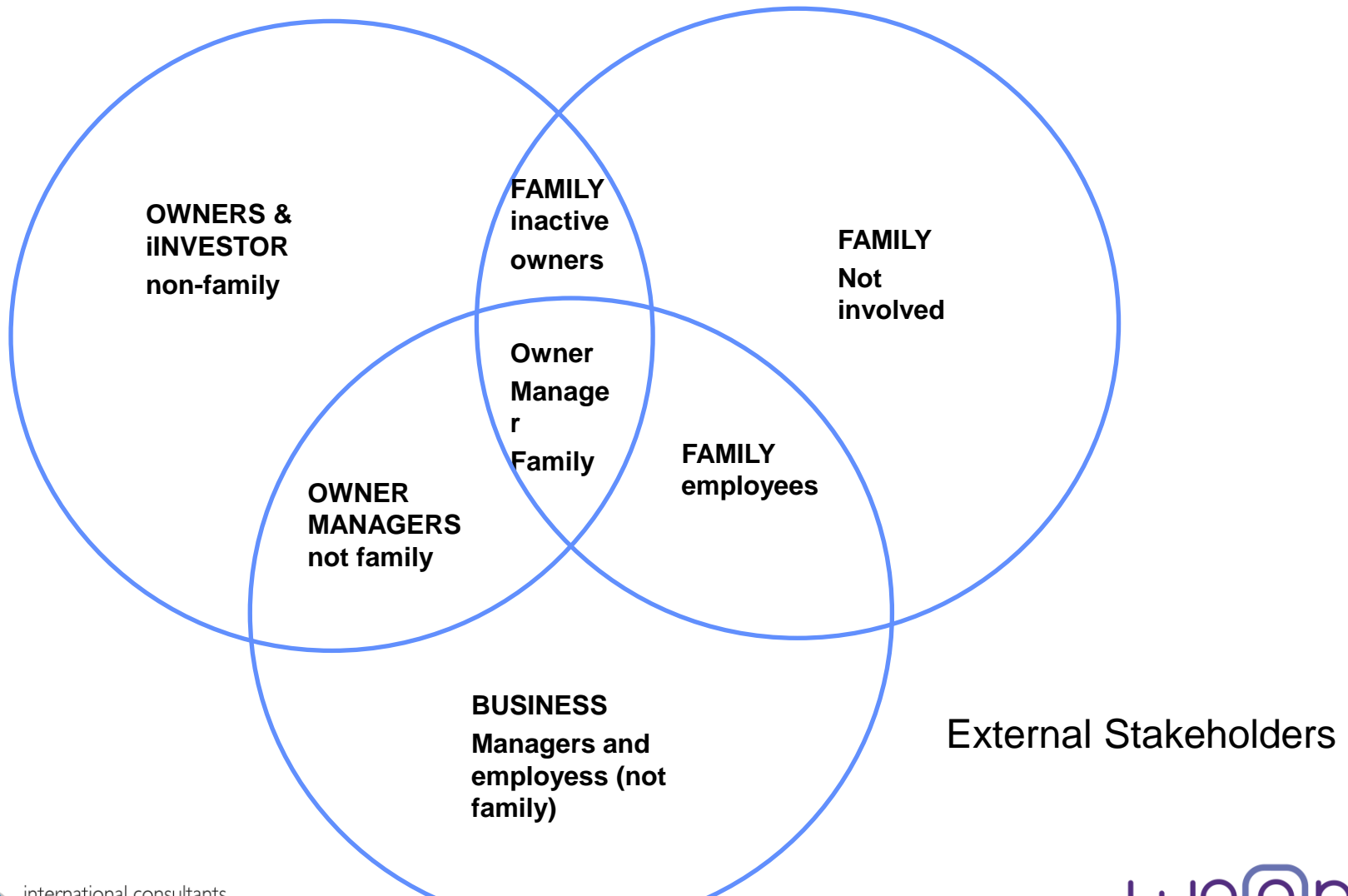
**Gone**

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## Survival Rates

- 1<sup>st</sup> Generation
  - 2<sup>nd</sup> Generation – 33%
  - 3<sup>rd</sup> Generation – 12%
  - 4<sup>th</sup> Generation – < 4%
  - 5<sup>th</sup> Generation – < 2%

# Dealing with Diverse Interest Groups

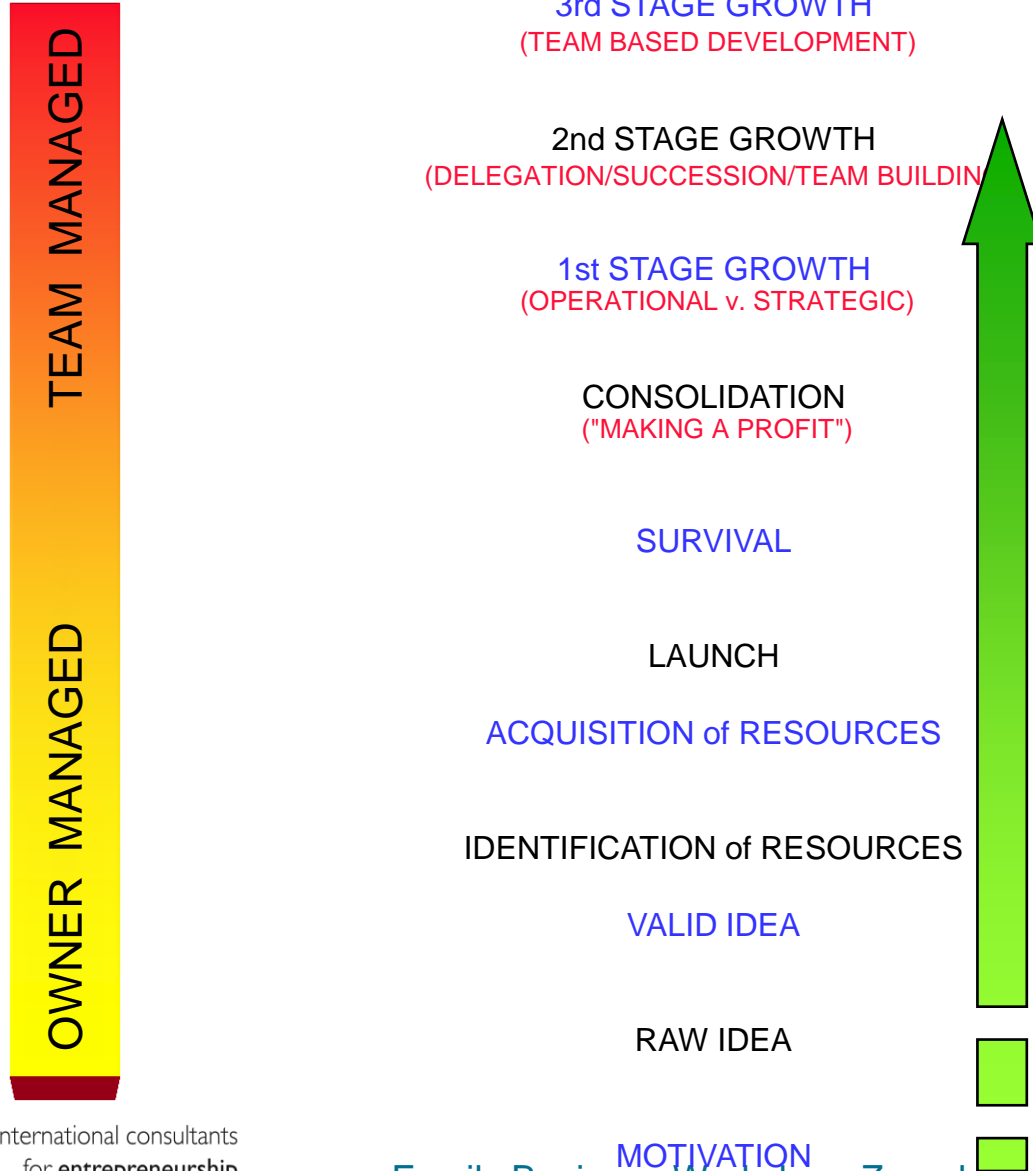




# Challenges

<b>Growth / Development</b> <ul style="list-style-type: none"><li>• Responding to opportunities and growing the business</li><li>• Internationalisation</li></ul>	<b>Other</b> <ul style="list-style-type: none"><li>• ....</li></ul>
<b>Transfer of ownership</b> <ul style="list-style-type: none"><li>• Ensuring continuity of the business</li></ul>	<b>Management</b> <ul style="list-style-type: none"><li>• Dealing with potential differences and conflict</li><li>• Dealing with an unfavourable environment</li><li>• Responding to threats and surviving</li></ul>

# Process of Development

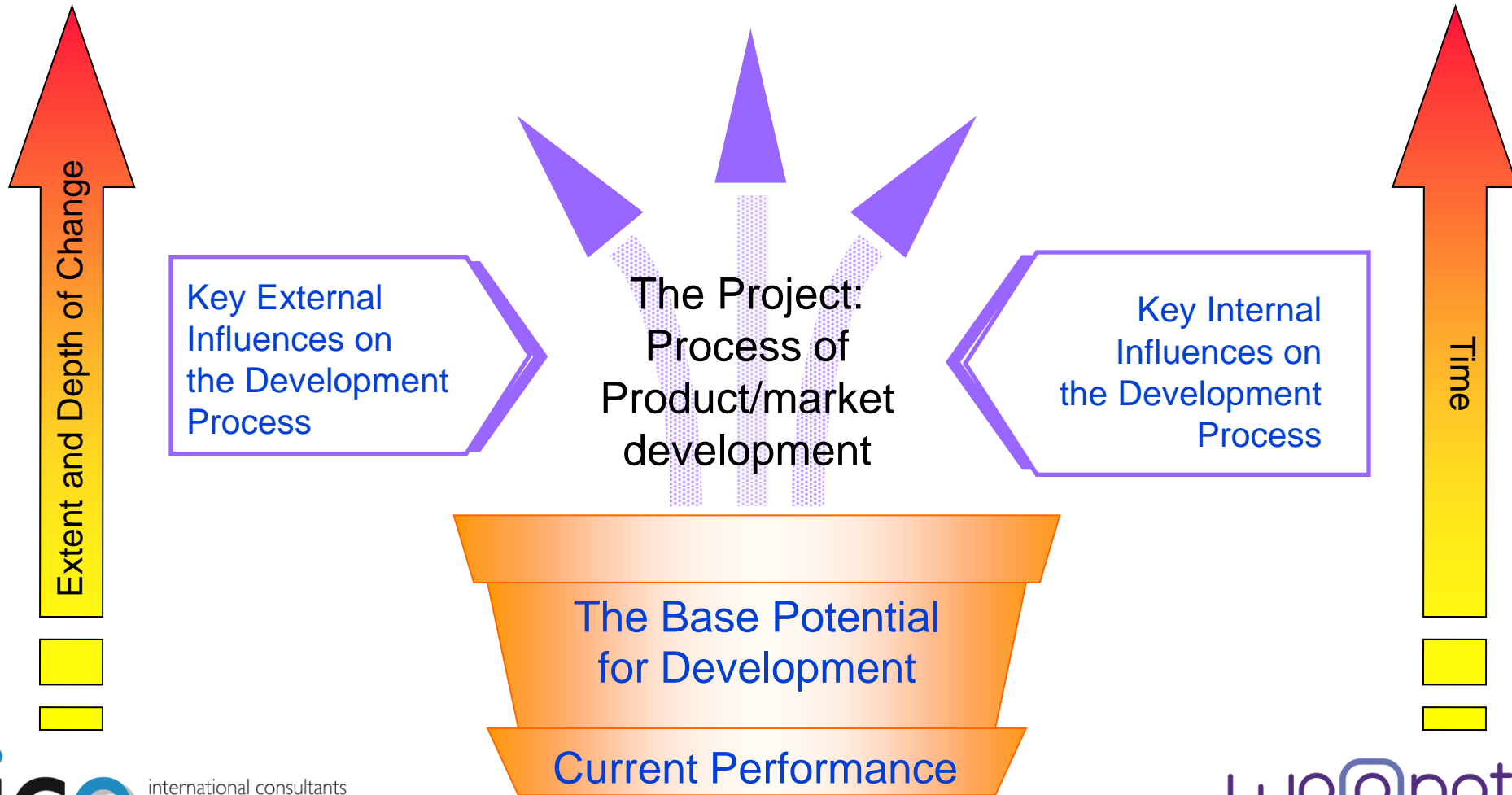


# What is a family business with 'Growth Potential'?

If you went to a family business for half a day what would you look *for* or *at* in order to answer the question?

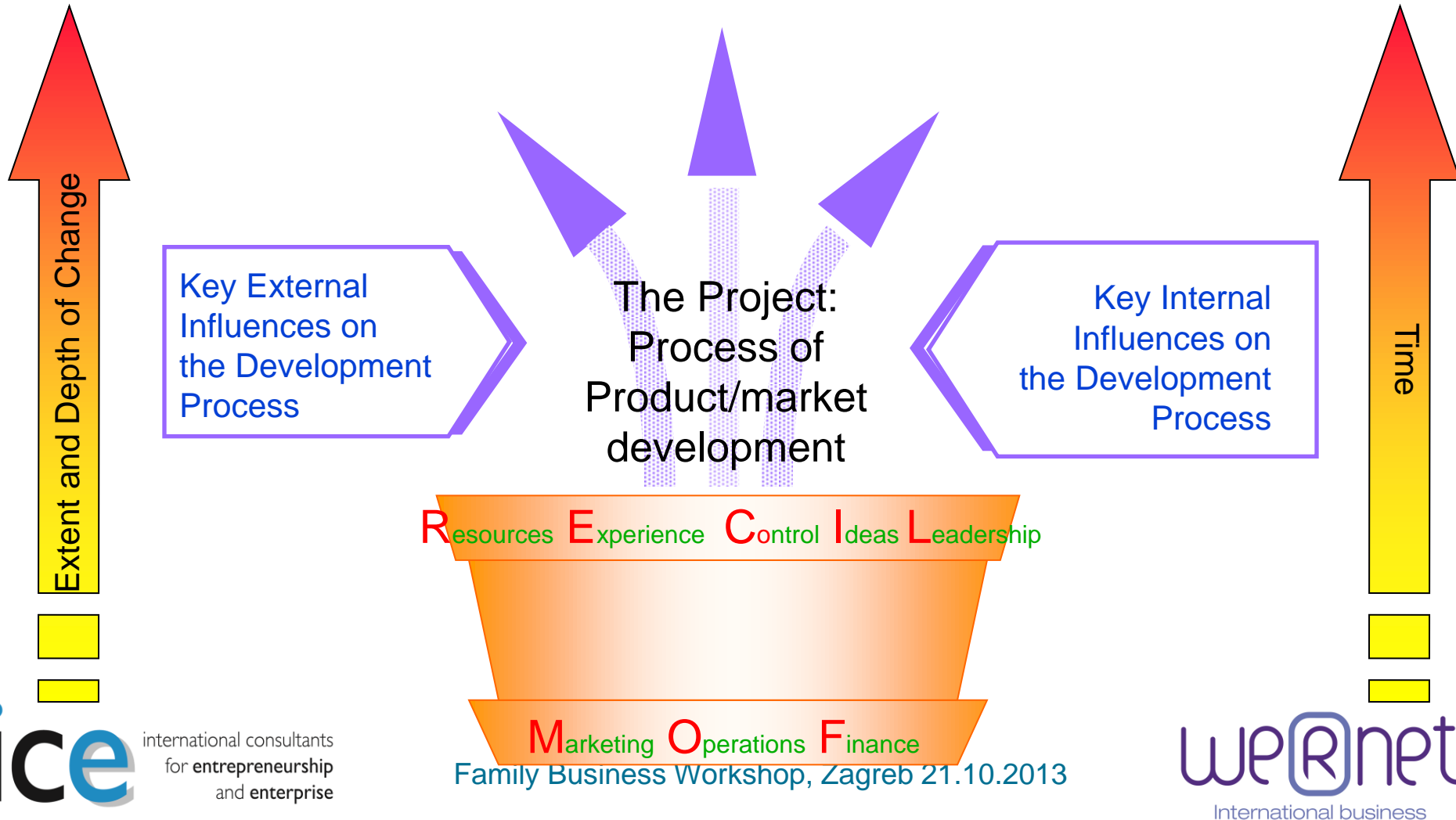
# GIBB Growth Model

Where the business could go...



# GIBB Growth Model

Where the business could go...



# Framework for Growth and Family Firms

4. The Project: How sound is the specific growth project?				
Objectives	Market	Resource requirement	Mgt. Ability & commitment	Financial projections
3. The Potential: How strong is the potential to achieve growth?				
Resource base	Experience base	Control base	Ideas base	Leadership base
2. The Politics: To what extent does family help or hinder?				
Succession		Governance	Leadership	
1. The Performance: How good is the current performance?				
In the Market		In its Operations	In Financial terms	

# Growth Potential

<u>R</u> esources	<u>E</u> xperience	<u>C</u> ontrols	<u>I</u> deas	<u>L</u> eadership
<ul style="list-style-type: none"> <li>• Liquidity and availability of finance</li> <li>• Technology: level &amp; capability required</li> <li>• Physical assets: age and state</li> <li>• People: quality/ skills/flexibility/ attitude</li> <li>• Product range and life cycle</li> <li>• Managerial resources and time available</li> <li>• External resources e.g. agents, distributors,</li> </ul> <p>etc.</p>	<ul style="list-style-type: none"> <li>• Experience of:               <ul style="list-style-type: none"> <li>- developing markets</li> <li>- using external agents</li> <li>- moving sites</li> <li>- succession</li> <li>- managing growth &amp; change</li> <li>- introducing new technologies</li> <li>- whatever it is you are seeking to do</li> </ul> </li> </ul> <p>etc.</p>	<ul style="list-style-type: none"> <li>• Adequacy of info &amp; control systems</li> <li>• Management team's/process to assess</li> <li>• 'Professionalism' of management</li> <li>• Adequacy of planning and monitoring</li> <li>• Degree of delegation to team</li> <li>• Ability to define and assess performance</li> </ul> <p>etc.</p>	<ul style="list-style-type: none"> <li>• Sources and number of ideas – knowledge based used?</li> <li>• Appropriate means/ process to assess Market/ customer orientation of ideas</li> <li>• Degree of development/testing of these ideas</li> <li>• Degree of creativity/problem solving</li> </ul> <p>etc.</p>	<ul style="list-style-type: none"> <li>• Degree of involvement of key staff</li> <li>• Age/occupational base of owner-manager(s)</li> <li>• Leader's personal goals and objectives, style and ambition</li> <li>• Family influence</li> <li>• Personal attitude to change</li> <li>• Degree of strategic awareness and understanding of environment</li> </ul> <p>etc.</p>

The Politics: The Family		
Succession	Governance	Leadership
A	A	A



**What would help you solve some of  
your current challenges?**

**What do you think is required to support  
a vibrant Family Business sector in  
Croatia?**

**What would the priorities be?  
On what basis would you select these?**

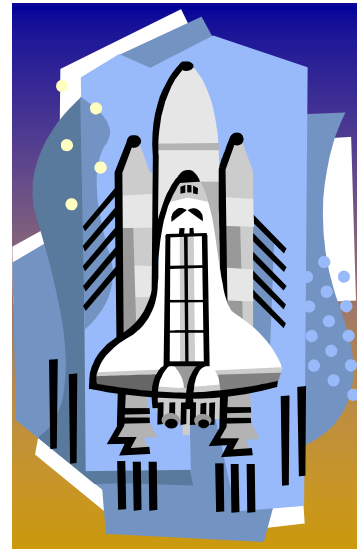
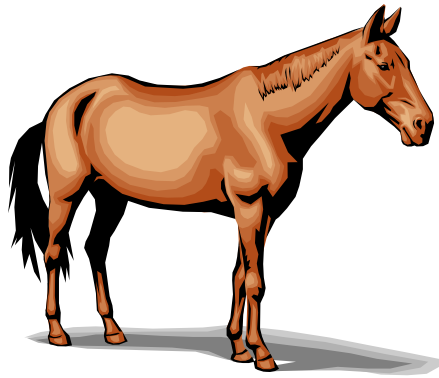
# The Black Cab – Why is it like it is?



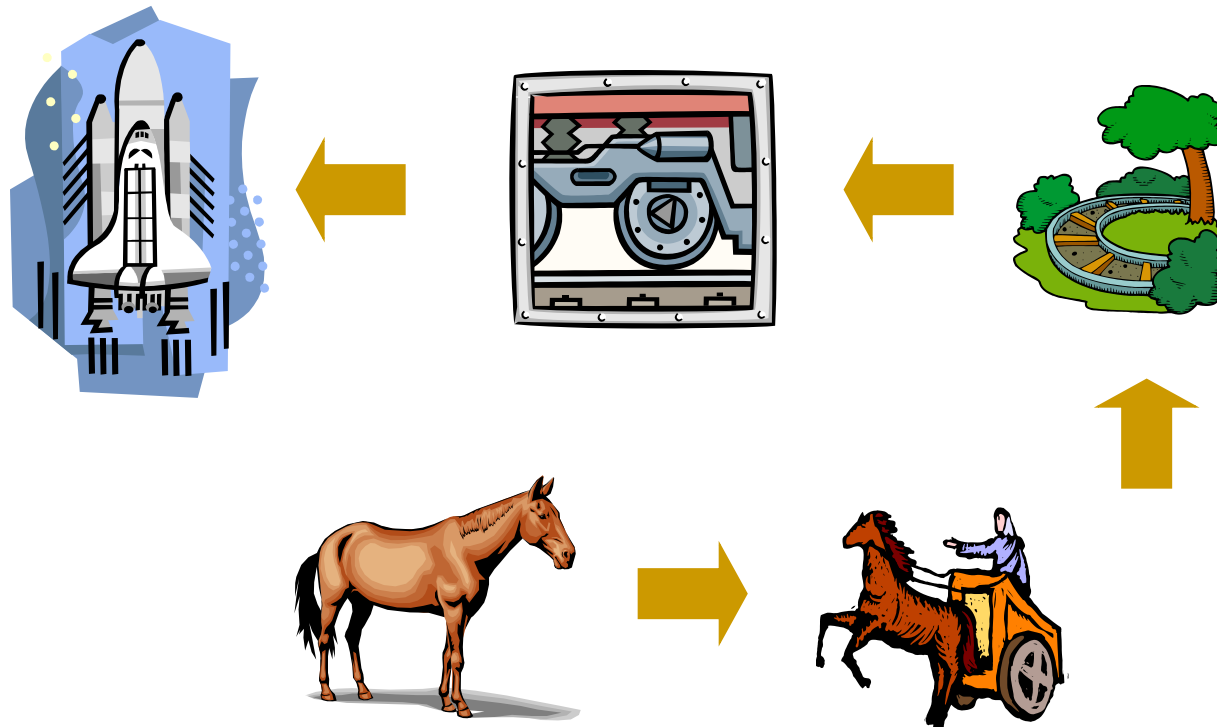
# The Keyboard – Why is it like it is?



# What's the connection?



# From a horse's rear to the Space Shuttle



# We must think differently!

**Table 7 Overview on Institutional Actors Dealing With Family Businesses in Europe<sup>26</sup>**

	Network/Family Business Specific Organisation	Employers' Organisation	Government	Support Service Provider			Others <sup>1</sup>
				Business Support	Education/Training	Research	
AT	X	X		X	X	X	X
BE	X		X	X		X	
BG	X				X	X	X
CY		X			X	X	
CZ			X				
DE	X	X		X		X	
DK	X		X			X	
EE		X			X	X	
ES	X	X	X	X	X	X	
FI	X		X	X	X	X	X
FR	X			X	X	X	X
GR		X	X				X
HR			X				
HU			X	X			
IE	X			X	X	X	X
IS			X				
IT	X	X			X	X	

	Network/Family Business Specific Organisation	Employers' Organisation	Government	Support Service Provider			Others <sup>1</sup>
				Business Support	Education/Training	Research	
LI					X	X	
LT			X				
LU		X					
MK			X	X			
MT			X				
NL	X	X	X		X	X	
NO		X	X	X		X	
PL	X						
PT	X						
RO			X	X			X
SI		X			X	X	
SK			X		X		
SE	X	X	X		X	X	
TR		X					
UK	X			X		X	X

<sup>1</sup> "Other" organisations refer, for example, to financial institutions or private business consultants offering services specifically targeted at family businesses.

Remark: One organisation may be classified into several categories, depending on the offered services. No relevant actor could be identified for Latvia.



# SE Europe Countries

- **No experience of inter generational transfer**
- **Transfer to next generation - younger and fewer**
- **Better educated and want something else**
- **Demographic impact – longevity of founders**
- **Financial implications make it unviable or more complicated**
- **Governance frameworks, balancing business and family new/weak**
- **Access to finance**
- **Image on labour market poor – nepotism...**

# Responses to challenges

- **Business transfers – legal framework and financial support**
- **Tax regime for reinvested profits**
- **Governance codes**
- **Succession planning**
- **Succession scorecard – Belgium**
- **Passing the Baton Programme – Finland**
- **FB Market Place – Austria and Luxembourg**
- **Patchy provision of information to Stakeholders and limited information on environment to FF**

# Required

- **Systematic and detailed info about sector**
- **Unambiguous and useful definition of FB**
- **Incorporate wider definition of family**
- **More effective representative bodies**
- **Better dissemination among Policy makers**



## Discussion