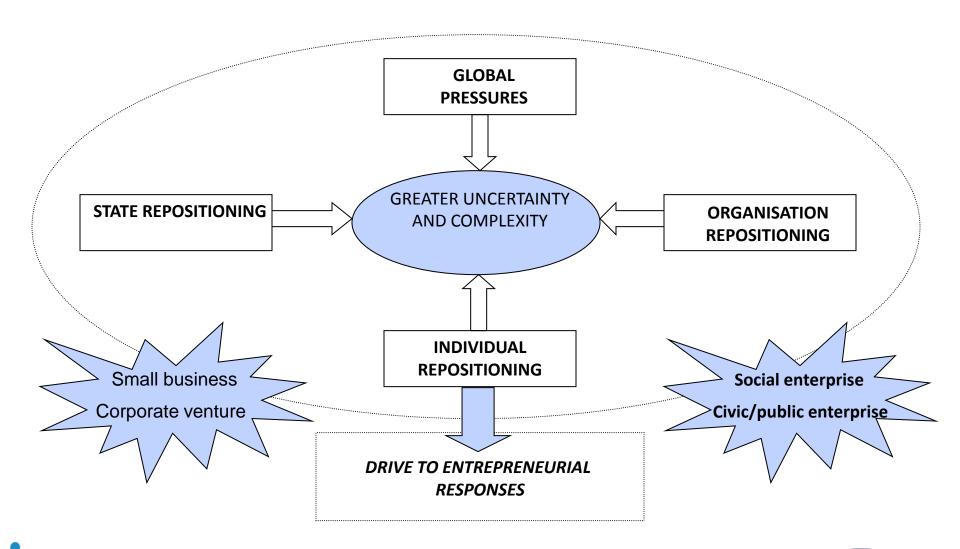
The Challenges of Family Businesses: growth, transfer of ownership and management

Yolanda Gibb and Dinah Bennett





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







Gibb's Model – Entrepreneurial Paradigm

Organisational

Downsizing/Restructuring SOE's
Network organisations
Small business growth
Longer working hours
Wider management responsibility
Supply chains
Global investment mobility
Knowledge based business
Strategic alliances

Societal/State

De-regulation
Privatisation
Markets in public services
Environmental protection
High Technological change
Differentiated products/markets
Higher divorce rates
Single parent families
One child policy
Decline of religion
Reduced welfare and social

Individual

Higher stress
More contract employment
Less career certainty
More part-time contracts
Fewer guaranteed rewards
Early retirement – multi careers
Lower opportunity cost of own
business
Portfolio occupations

occupational mobility
More diverse personal
responsibility/relationships
Life style businesses

Greater geographical and





	The Global Pressures	
The ICT revolution	Growth of trading blocs	Travel
Reduction of barriers in international business	Universality of English language	International standards

security spending





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 nongovernmental 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

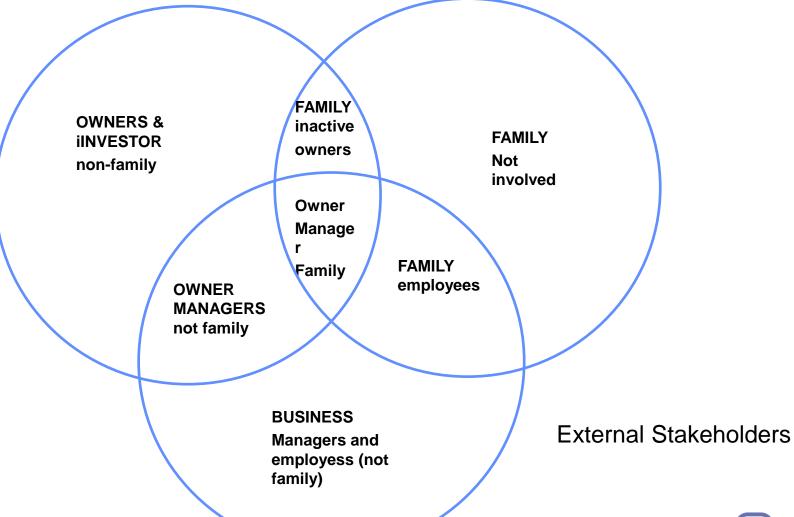
Survival Rates

- 1st Generation
 - 2nd Generation 33%
 - 3rd Generation 12%
 - 4th Generation < 4%
 - 5th Generation < 2%





Dealing with Diverse Interest Groups







Challenges

Growth / Development

- Responding to opportunities and growing the business
- Internationalisation

Other

•

Transfer of ownership

 Ensuring continuity of the business

Management

- Dealing with potential differences and conflict
- Dealing with an unfavourable environment
- Responding to threats and surviving





Process of Development

3rd STAGE GROWTH (TEAM BASED DEVELOPMENT)

2nd STAGE GROWTH

(DELEGATION/SUCCESSION/TEAM BUILDIN

1st STAGE GROWTH (OPERATIONAL v. STRATEGIC)

CONSOLIDATION ("MAKING A PROFIT")

SURVIVAL

LAUNCH

ACQUISITION of RESOURCES

IDENTIFICATION of RESOURCES

VALID IDEA

RAW IDEA







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...

Key External Influences on the Development **Process**

The Project: Process of Product/market development

Key Internal Influences on the Development **Process**

The Base Potential for Development

Current Performance

Family Business Workshop, Zagreb 21.10.2013



and Depth of Change

Extent

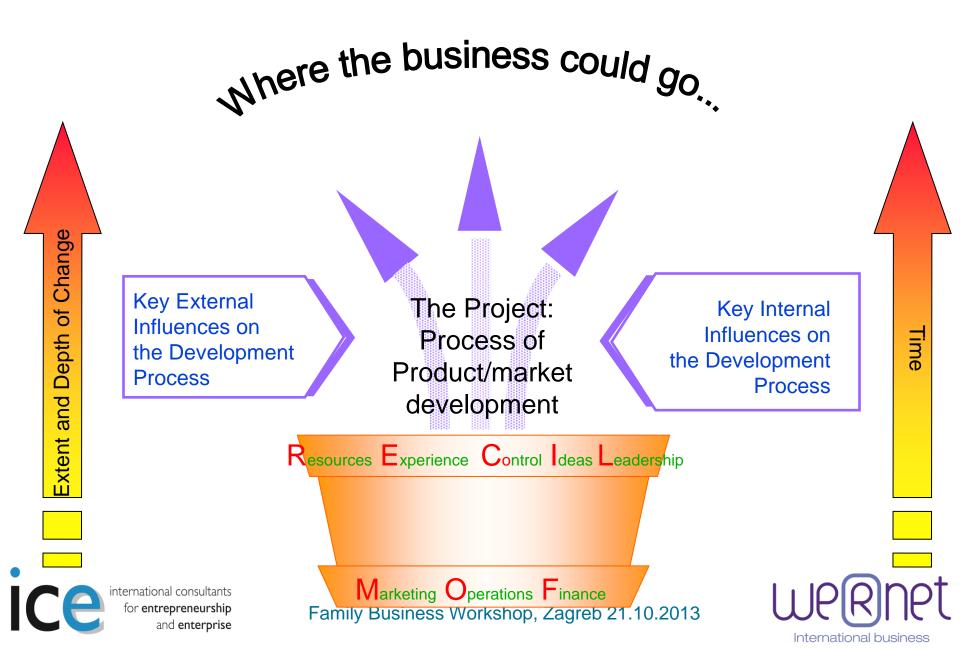
Time





International business

GIBB Growth Model



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 Potentia	3. The Potential: How strong is the potential to achieve growth?						
Resource base			Control base	ldeas base		Leadership base	
2. The Politics:		To what extent does family help or hinder?					
Succession			Governance	rernance Le		eadership	
1. The Performance: How good is the current performance?						?	
In the <mark>M</mark> a		In its Operations In Financial terms			ancial terms		





Growth Potential

<u>R</u> esources	<u>E</u> xperience	<u>Co</u> ntrols	<u>l</u> deas	<u>L</u> eadership
 Liquidity and availability of finance Technology: level & capability required Physical assets: age and state People: quality/skills/flexibility/attitude Product range and life cycle Managerial resources and time available External resources e.g. agents, distributors, 	 Experience of: developing markets using external agents moving sites succession managing growth & change introducing new technologies whatever it is you are seeking to do 		 Sources and number of ideas – knowledge based used? Appropriate means/ process to assess Market/ customer orientation of ideas Degree of development/testing of these ideas Degree of creativity/problem solving 	 Degree of involvement of key staff Age/occupational base of ownermanager(s) Leader's personal goals and objectives, style and ambition Family influence Personal attitude to change Degree of strategic awareness and understanding of environment
etc.	etc.	etc.	etc.	etc.





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?







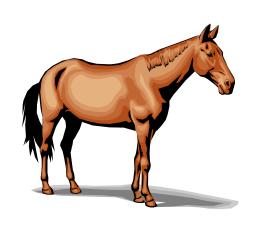
The Keyboard – Why is it like it is?

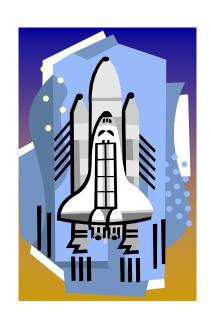






What's the connection?

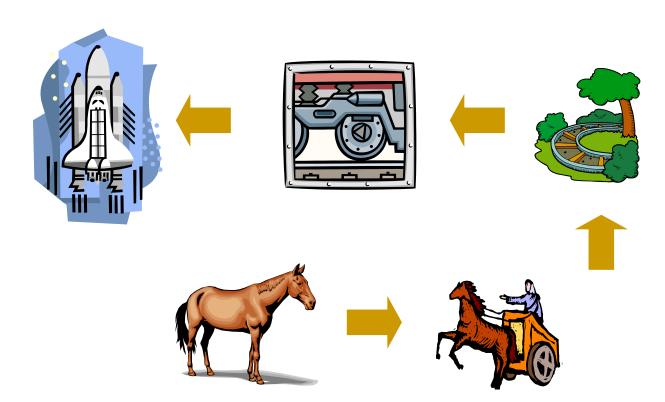








From a horse's rear to the Space Shuttle







We must think differently!





Table 7 Overview on Institutional Actors Dealing With Family Businesses in Europe²⁶

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





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

¹ "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 frameworkand financial support
- Tax regime for reinvested profits
- Governance codes
- Succession planning
- Sucession 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



