About the Family Business Network:

The Family Business Network is the world’s leading network of business owning families, promoting the success and sustainability of family business.

Our role is:
- To articulate the positive role of family business and its contribution to the economy and society
- To create opportunities for sharing best practice through national, regional and international programmes and events
- To provide a thorough understanding of the micro and macro economic framework of family business
- To promote the longevity of family business worldwide.

How we are organised:
- The FBN was founded in 1990 as a federation of family business associations.
- We have grown to 24 national and associate chapters.
- The Network is composed of 2700 family business members (owners, leaders and Next Generation successors).
- Our members come from medium to large size companies in 45 countries across 5 continents.
- Every year we provide more than 100 programmes, educational opportunities and events.
The overall purpose of the Family Business Monitor is to provide comparable data on the number, structure, performance and operational context of family businesses. The pilot issue has been designed as the first in an on-going series.

| Welcome to this report |

As part of FBN International’s commitment to promoting family business, this report summarises the key findings from the 2007 Pilot Family Business Monitor.

By using a clear definition of family business the Pilot Monitor has been able to focus tightly on family businesses. It has revealed a picture that will help the policy maker to understand the framework in which family businesses operate as well as their advocacy effort.

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The Monitor provides a benchmark and compares data from eight European countries: Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK. The data was primarily gathered by Gallup Europe during 2007 through 1,352 telephone interviews using a common questionnaire.

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Family businesses account for between 31% (in the UK and Netherlands) to 61% (in Sweden) of total employment.

Most of the family businesses are still in the hands of the first generation.

If the business has already been transferred within the family, it is most often the second generation that is currently owning and/or running the business.

One in nine of the family businesses are supposed to be transferred in the next five years.

However there seems to be a lack of potential successors within the families; where family businesses are intended to be sold or transferred in the future, the majority will be transferred to other family members in only three of the eight countries.

Governments are just beginning to pay more specific attention to family businesses as a separate entity (different from SME’s or privately owned businesses) and to their positive contribution to economy and society.

In most of the countries some aspects of the legal framework—particularly inheritance and gift taxes—seem to have been adapted in favour of family businesses.

Family business is a topic of interest in the academic world. In all the countries there are either ‘family business’ university chairs or family business centres that carry out research and education.

Family businesses are supported by active advocacy groups in all the countries. However, concerning the representation of family business in the media, there is considerable potential for development.

Key findings

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Family businesses are supported by active advocacy groups in all the countries. However, concerning the representation of family business in the media, there is considerable potential for development.
Do certain cultures have higher percentages of family businesses?

There are indications of a pattern but it is not strong or consistent. It is true that the percentage is very high in the Scandinavian countries; in Finland, 91% of all businesses are family businesses. It is also true that the percentage is very high in Spain, a Mediterranean country. However, the pattern is not consistent because Western European countries such as France and Germany have higher percentages (83% and 79% respectively) of family businesses than a Mediterranean country, like Italy (73%).

Are family businesses more common in certain sectors of the economy?

Yes. In most of the countries where the survey was conducted, at least 40% of the family businesses are spread across just three sectors: the ‘Manufacturing’, ‘Construction’, and ‘Wholesale and Retail Trade’ sectors. A fourth sector – ‘Real Estate, Renting and Business Activities’ – accounts for about 20% of family businesses in Sweden, Finland and the UK.

Are family businesses usually owned by several family members or by a single person?

In Germany, Sweden and the Netherlands, family businesses with a single owner clearly dominate (83%, 70% and 69% respectively). In the majority of the countries, however, most of the participating family businesses are owned by several people.

When families fully own their business, do they often bring in non-family managers to run it for them?

Rarely. In France, for example, 44% of the family businesses are fully family owned and nearly the same percentage (42%) are family-managed. The UK is the country where non-family managers are most likely to be brought into family businesses; 51% of UK family businesses are fully family-owned and 45% are family-managed.

Is the handover of ownership to the Next Generation spread over a number of years?

A temporary period of joint ownership between the first and second generation is sometimes part of the handover process. This is especially the case in Finland where 55% of businesses that have been transferred are held by both the first and second generation.

Do family business owners intend to pass their businesses on to their children?

Not always. In five of the eight countries, the majority of those who plan to transfer or sell their business do not have family members in mind when they think about a future owner. In France and Spain, only around one in four family businesses are likely to be transferred inside the family (26% and 27% respectively), in Finland 30%, in Sweden 38% and in the UK 39%. However in Germany, Italy and the Netherlands, the large majority of the family businesses will stay in the family (in Germany and Italy both 78% and in the Netherlands 66%).

Do governments usually consider family firms as a distinct category?

Governments usually categorise businesses not by their ownership structure but by their size (SME, mid-size, large-size). Despite this, some aspects of the legal framework are supportive of family businesses, particularly the trend towards reduction or abolition of inheritance and gift taxes.

Does family business have a strong representation in the media?

No. In most of the countries there is a magazine about family business but it is usually published by the national family business advocacy group and is therefore not accessible to a large readership. Newspapers with a special section on family businesses are rare; Italy stands out here, as two of the biggest national newspapers have a weekly supplement with a page dedicated to family business.
Family businesses make up the large majority of companies in the eight countries. In every country, at least 60% of companies are family businesses, and the percentage rises as high as 91% in Finland.
| Contribution to employment |

Over 30% of all employment in all the countries is provided by family businesses.

- **Sweden**: 52% of total employment contributed by family businesses.
- **Italy**: 48% of total employment contributed by family businesses.
- **France**: 51% of total employment contributed by family businesses.
- **Germany**: 44% of total employment contributed by family businesses.
- **Spain**: 42% of total employment contributed by family businesses.
- **Finland**: 41% of total employment contributed by family businesses.
- **Netherlands**: 31% of total employment contributed by family businesses.
- **UK**: 31% of total employment contributed by family businesses.

*total employment that is contributed by family businesses*
Similar to businesses in general, the majority of family businesses are small (less than 10 employees). But a significant number are larger businesses. The percentage of family businesses with a turnover greater than 2 million euros is particularly high in Italy (18%), UK (16%) and Finland (15%). For perspective, only 8% of European firms in general have a turnover greater than 2 million euros and employ more than 10 people – according to the 2003 Observatory of European SMEs, published by the European Commission’s Enterprise Directorate General.

Family Businesses also means large businesses and out-performance. If Family businesses are still too often considered as SMEs, many of Europe’s largest and most successful businesses are still family owned. These highly successful family businesses include Peugeot (France), Bertelsmann (Germany), Fiat (Italy), Van Oord (Netherlands), Zara (Spain) and Wallenberg (Sweden).
The large majority of the family businesses are still in the control of the first generation. Where a business has been transferred inside the family, it is common to partially transfer it between generations so that there is a period of multi-generational ownership. This is especially the case in Finland and Sweden, where 55% and 42% respectively of those businesses that have been transferred are held by both the first and second generation.
Ownership Structures

In most of the countries, a majority of family businesses are either owned by one or many people. These people usually belong to the same family rather than being a mix of family and non-family.

Most concentrated ownership

95%

Germany

78%

Italy & Spain

family businesses owned by several people from the same family

Notable exceptions are Germany, Sweden and the Netherlands where a large majority of family businesses have a single owner (83%, 70% and 69% respectively). It is rare to mix family and non-family ownership. Only 4% of family businesses in the Netherlands have a mix of family and non-family owners. In none of the countries is the percentage of businesses with mixed family and non-family ownership higher than 25%.

Management Structures

The management of family businesses is not usually shared with non-family members.

Germany

90%

Sweden

89%

France

88%

UK

84%

Netherlands

84%

Italy

77%

Finland

74%

Spain

family businesses that are fully owner-managed or family-managed
The figures on this page show, among those who intend to transfer the business in the future, how many families will only transfer the business to family members.

There are striking differences between the countries in the survey. In Germany, Italy and the Netherlands the large majority of families will transfer the business to family members and not outside the family (in Germany and Italy both 78% and in the Netherlands 66%). However in France and Spain, at the other extreme, only around one in four family businesses are likely to be transferred within the family (26% and 27% respectively).
| Media coverage of Family Business

Family Business is not widely covered in the media. Although in most of the countries a magazine about family business does exist, it is often published by the national family business advocacy group and is therefore not accessible to a large readership.

Newspapers with a special section on family businesses are rare. Italy stands out here, as two of the biggest national newspapers, the 'Corriere della Sera' and the 'Repubblica' both have a weekly supplement with a page dedicated to family business.

| Inheritance and gift taxes

Sweden has shown the way in 2005 by fully abolishing the inheritance taxes and gift taxes that hit family businesses. In half of the countries, taxes on inheritances and gifts to children continue to be above 25%. They peak in Spain (81.6% standard inheritance tax, reduced to 40.8% for children, spouses and parents).

| Research and Education

In all of the countries, family business is a topic of interest in the academic world. All of the countries had at least one Family Business chair at one of their universities. Spain has no less than 25 chairs in Family Business.

| Advocacy and promotion of Family Business

There is at least one Family Business advocacy group in each country. Spain is the most active with 18 regional groups as well as a nation-wide group. Five out of the eight countries offer awards to successful family businesses. In Italy, family businesses can compete for three different awards.

Governments too rarely pay specific attention to family businesses as a distinct entity. Nevertheless in most of the countries some aspects of the legal framework – particularly inheritance and gift taxes – seem to have been adapted in favour of family businesses.
At FBN we draw the following conclusions:

- Family businesses are the backbone of the economy and are the most common form of business structure.
- Family businesses usually keep ownership and management in the hands of the family.
- In some of the countries the clear intention is for family businesses to be passed down to the next generation of the family.
- It demonstrates that governments can support family businesses by simplifying and reducing tax on inheritance and gifts of business assets.

- Sweden led the way in 2005 by abolishing inheritance and gift taxes. But in general, there is still much that tax systems could do to help family businesses.

The Pilot Family Business Monitor answers some questions about family businesses but it also raises new ones. Fruitful areas for further research include:

- contrasting European and non-European family businesses
- investigating the impact of legal and fiscal frameworks
- comparing corporate social responsibility agendas.

To access the full report on the Pilot Family Business Monitor, published in 2007, please visit www.fbn-i.org. The report is available in the on-line library.