Family businesses in Europe

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The European Parliament adopted by 590 votes to 49, with 69 abstentions, a resolution on family businesses in Europe.

It recalled that **85% of all European companies are family businesses** and these account for 60% of jobs in the private sector.

It noted that while most family businesses are SMEs, family businesses can be small, medium-sized or large, listed or unlisted but that there are also very large multinational corporations that are family businesses.

Characteristics: because of their history, family businesses are strongly rooted in a particular location and thus also create and maintain jobs in rural and less-favoured areas, contributing to the fight against the process of ageing and depopulation by which many areas in the EU are affected. The Commission and the Member States are called upon, therefore, to provide the necessary cost-efficient infrastructure in order to ensure the competitiveness, renewal, growth and sustainability of such businesses, in particular micro-entities and start-ups.

Parliament also stated that highly specialised family businesses in particular play an important role as suppliers to, and innovators for, larger companies and that, given their long-term and intergenerational approach to business, they provide the companies they supply with material security and thereby make a significant contribution to economic growth. Family businesses excel in identifying new opportunities and innovation.

Funding: Parliament noted that family businesses often have a significantly higher equity ratio than nonfamily businesses and that this high equity ratio results in the **economic stability** of such businesses and of the economy as a whole. It invited the Commission and the Member States to examine any tax-driven discrimination vis-à-vis equity financing against the background of fair competition.

Members also underscored that because of the financial crisis and the adverse economic cycle **many of the functions of family businesses are underfinanced** and that it is important for family business to have open and easy access to alternative sources of financing. They noted, in this context, the importance of promoting alternative forms of lending to family businesses, such as credit unions.

Parliament called on the Commission to consider extending the beneficiaries of all existing instruments for SMEs and/or entrepreneurs, particularly COSME, to mid-cap family businesses.

Challenges: Parliament noted that 35% of those companies that do not invest in foreign markets fail to do so because of their lack of knowledge of those markets and lack of experience with internationalisation. It called on the Commission and the Member States, therefore, to provide smaller family businesses in particular with information about opportunities for internationalisation via the SME Internationalisation portal.

Parliament also noted that small and medium family businesses are continuously challenged by a need for innovation and for attracting the right skills and talent. Therefore, the Commission and the Member States are called upon to provide smaller family businesses with incentives to take risks for growth and incentives to implement staff training and to access external knowledge.

Other measures are suggested such as:

- simplifying administrative procedures and taxation systems;
- improving the legal framework for the transfer of family businesses and create special financing instruments for transfers and thus prevent liquidity shortages so as to ensure the survival of family businesses and prevent distress sales;
- promoting family business-specific education in business transfers, governance structures, owner strategies and innovation strategy;
- promoting vocational-training systems so as to combat the skilled-worker shortage and youth unemployment.

Members also stated that it was primordial to promote entrepreneurship in schools and other educational settings is of key importance to **developing more entrepreneurial mindsets**. They noted further that education should include specific family-business issues such as ownership, succession and family governance, together with more general information such as the importance of innovation as a means of reinventing businesses.

Parliament urged Member States to take into account the formal and informal occasional and **invisible work** carried out by family members, including in family businesses, and encouraged Member States to provide a clear legal framework.

Outlook: overall, Parliament called on the Commission to undertake an analysis of existing legislation which impacts on family businesses in order to identify problems and barriers to growth and to propose to the European Parliament and the Member States a statistically workable **Europe-wide definition of 'family business'** – developed together with Eurostat –, taking into account the different circumstances in the Member States. It called on the Commission to commission regular and adequately financed studies that analyse the importance of ownership for the success and survival of a business and highlight the specific challenges facing family businesses.

In particular, the Commission is called upon to:

- promote and to disseminate information on the family business model throughout the EU;
- conduct an impact assessment of the extent to which a broadening of the European SME definition from 2003 would be possible, to include, in addition to purely quantitative criteria, qualitative criteria that also take into account ownership of a company, bearing in mind the interdependence of ownership, control and management, the fact that risk and liability are borne solely by the family itself, the social responsibility of a company and, generally, the personal aspect of running a business, also in relation to the participation of employees in the management of business activities, and the consequences this could have for family businesses, for example with regard to state aid and the eligibility of such businesses;
- carry out a **feasibility study** of a 'family business test' modelled on the SME test, and to introduce it as soon as possible, should the study prove its feasibility, in order to be able to determine the effect of certain legal acts on family businesses;
- set up, and define the remit of, an **internal permanent working group** that specifically addresses the needs and characteristics of family businesses, regularly reports to Parliament and the Member States, encourages exchanges of best practices between Member States' family business organisations and disseminates guidelines and standard texts and solutions for family businesses on overcoming their specific problems;
- create a **one-stop shop for businesses** which can act as a contact at European level for family businesses and family business interest groups and to assist in specific issues relating in particular to European legislation and access to EU funding.

Measures have also been called for as regards the presence of women in family businesses and female entrepreneurship.

Lastly, the Commission is called upon to draw up a communication as a matter of urgency analysing the role of family businesses with a view to boosting the competitiveness and growth of the EU economy by 2020.