

Family Business

Summary of partner national researches

Latvia

In Latvia, the issue of family businesses has not appeared as a topic in either general public discussion or in policy discussion. No legal differentiation is made in Latvia between family businesses and nonfamily businesses. Insofar as family businesses are considered to be SMEs (Small and Medium Enterprises). Similarly there is no awareness concerning the heterogeneity among the family business sector. Something like a “typology” of family businesses does not exist in Latvia.

Although researches on family business sectors have not been carried out in Latvia, it is clearly seen that mainly these businesses include agriculture, tourism and service sectors. Agriculture has the strongest traditions as it was one of the main economy sectors at the beginning 20th century. Latvia regained its independence in 1991, so we can talk about 20 years’ old traditions of family businesses that today with significant state support grow and develop.

In the last few years, the support for SMEs has considerably increased. In 2009 the Conception of a micro-enterprise support measures aimed at creating the necessary prerequisites for unemployed people to embark business was developed. It helps to create business environment for microenterprises, as well as develops entrepreneurial skills. In 2009 there were 71.4 thousand economically active individual entrepreneurs and companies (excluding farmers, fishermen and self-employed persons who perform economic activities), of which 99.5% corresponded to SME category. The share of economically active SMEs in Latvia: micro enterprises - 82.5%, small enterprises – 14.1%, medium-sized enterprises - 2.9% and large - 0.5% There are various support programs, including the state provision of venture capital, run by the Latvian Mortgage and Land Bank, the Latvian Guarantee Agency, and the Latvian Investment and Development Agency.

Lithuania

The situation in Lithuania is very similar to Latvia. For a long time there was no legal definition of family business in Lithuania. At present, after a couple of years of full-dress debate, Ministry of Economy is going to pass Small Communities Enactment, which seeks to legitimize a new form of legal entity. On 29th August 2011 the Government has approved the concept of Small Communities. According to Small Communities Bill small community is a limited liability entity. It is designed for small and medium business. However, the specific requirements of Small Communities’ founder (for example, that small community may be founded only by family members) are not defined.

The family business does not exist in a public discussion, as the most common term here is SME, which is also in many cases a family owned business.

Because of the lack of statistical data (term „family business“ is not usable in statistics) it is difficult to estimate the actual importance of the family businesses in the national economy. Thereinafter there are presented statistics of SMEs in the overview.

There were 65629 active enterprises in Lithuania in the beginning of 2009, absolute majority of them were private enterprises (20499, or 31%) and private companies with limited liability (43562, or 66%). The majority of private enterprises were also micro enterprises (up to 9 employees) – 18455, or 90%), and the 9% of them were small enterprises (9 to 49 employees). The majority of private companies with limited liability (UAB) were also micro enterprises - 68% (or 29550 in total numbers), and small enterprises – 26% (or 11252), and only 6% (or 2760) of them were medium size (50-249) enterprises. Only 8 large size enterprises (250+ employees) were private enterprises, and 255 private limited liability companies were the large size enterprises, while in the same time 112 large size enterprises were public limited liability companies. In this way, we can also see the tendency to concentrate large size businesses in a limited number of owners, which may be dominated by the family members as well, as the case by case studies have shown. Other statistics on SME are in annex 2.

In 2011 the micro enterprises (38% of which are private enterprises and 61% of them private limited liability companies) were dominating in the following sectors of the economy: forestry and logging (75,5% of all enterprises), printing and reproduction of recorded media (71,9% of all enterprises), manufacture of other non-metallic mineral products (75,5% of all enterprises), repair and installation of machinery and equipment (71,9% of all enterprises), construction of buildings (77,2% of all enterprises), retail trade (84,0% of all enterprises), real estate activities (90,1% of all enterprises), veterinary activities (98,3% of all enterprises), travel agency and related activities (84,8% of all enterprises), computer programming, consultancy and related activities (84,6% of all enterprises), legal and accounting activities (92,0% of all enterprises), management consultancy activities (93,1% of all enterprises), architectural and engineering activities (84,7% of all enterprises), advertising and market research (85,9% of all enterprises) etc.

Business and SMEs development policy in Lithuania is defined by a bunch of policy documents, such as Innovation in Business Programme, SMEs development and support strategy, National Lisbon strategy implementation programme, EU Structural funds implementation strategies - Single Programming Document for Lithuania (2004- 2006) and EU SF implementation Strategy for 2007-2013, and many others.

France

Micro enterprises are, according to the definition of the French government, enterprises with up to 9 employees and a total annual turnover below 2 million Euros. Small and medium sized enterprises are those with less than 250 employees and a total annual turnover below 50 million Euros. Per January 2008, 60% of the enterprises in France do not have employees and 30% of the enterprises in France have up to 9 employees. As in all other partner countries, the term family business does not exist but we assume that the majority of the Micro enterprises are family driven.

The same trend as described above is in Languedoc-Roussillon. The single owned, without any employee (auto-entrepreneur), enterprises are the majority in that region too.

According to INSEE, existed at the end of 2008 in Languedoc-Roussillon:

- 130.848 companies with 0 employees
- 64.676 with 1-9 employees
- 7.126 with 10-19 employees
- 5.482 with 20-99 employees
- 896 with 100 and more employees.

In 2010 35.800 enterprises have been established, that are 6,5% more than in 2009. Most of them, 96% are auto-entrepreneurs. Remarkable is, that after two years only half of the companies still exist.

Taking into account the structure of the enterprises in Languedoc-Roussillon region showed above, it's obvious that their activities are focused on the tertiary sector: service, tourism, real estate, consultation, wholesaling and agriculture.

The majority of the enterprises do not have employees or, at second place up to 9 employees, independent of activities. The challenge lies in accessing these entrepreneurs for continuous professional trainings and consultancy. Already available programs meet to their needs only partly. One of the biggest problems seems to be the recognition of a need on behalf of the entrepreneurs and the time availability for taking part in professional education and consultancy.

A wide range of face-to-face courses are offered with the aim to cover the needs for those who just started a business as well as for established businesses:

- IT basics
- accounting
- human resource management
- labour and industrial law
- Marketing

According to the Director of the training center of chamber of commerce Narbonne, another focus is on preparing possibilities for young adults to get into jobs via internships and through professional orientation.

Turkey

Similar to many European countries, family-owned businesses have a substantial impact on Turkish economy; however there is no official definition of the concept of family business in Turkish Commercial Code. Therefore, it is hard to collect quantitative data and measure total revenues of family businesses in the local economies and overall Turkish economy, as well.

According to the research study conducted by Ankara Chamber of Industry, the 90% of all enterprises in Turkey are family firms and 85% - 95% of small and medium enterprises (SMEs) are family firms. The contribution of family businesses to the GDP is around 75%. Even the largest holding companies are family-owned.

On the other hand, the main reason why family firms have short life-time is the institutionalization problem. The research shows that 51% of family businesses think that receiving consulting services is unnecessary or not suitable. Besides, 85% of the Turkish family firms are directed by the first generation and the founders or

entrepreneurs of the companies are still working for their own companies. The first generation who shows conservative approach to new developments can sometimes be the biggest obstacle to the growth of the family companies.

UK and Wales

In the UK with an increasing recognition of the importance of small businesses and entrepreneurship for economic development and growth comes an increasing awareness of family businesses. Yet there is no legal or governmental distinction between family and non-family businesses and family businesses remain an implicit subset of different size classes of firms and legal categories of business (Fletcher, D et al 2008). There are useful typologies of family firms that are inclusive and that allow for the variety, diversity and heterogeneity of such businesses (Westhead 1997, 2002; Fletcher 2008a;) but little research has been done on spousal aspects of family firms (Marshack 1993; Fletcher 2008b).

Family business in UK account for:

70% micro enterprises

62% small sized enterprises

51 % medium sized enterprises

Sectoral make-up of family businesses:

Agriculture and construction sectors + Services sector - distribution, hospitality, catering & tourism

In Wales GEM (2008) report for Wales suggests that:

- family businesses have a lower asset base with a lower average turnover and employment;
- the majority are small with lower sales and fewer jobs than non-family firms.
- they tend to be more cautious in their growth plans in terms of turnover and employment. There may be specific reasons for this such as longer-term view within family firms that include ensuring the company's survival, providing secure employment and promoting a solid reputation within local community.
- there is a higher proportion of women entrepreneurs within family firms in Wales;
- there is little difference in the ownership of family and non-family firms by immigrants, in-migrants and long-term residents;
- family firms are more prevalent within rural locations;
- a lower proportion of family firm owner-managers are qualified to degree level within Wales;
- owner-managers of family businesses tend to be older than an independent entrepreneur
- family firms tend to be older than non-family firms.

It is likely that in Wales, the rural areas especially, that these really would be the minimum as in Wales there is a higher level of family business in the agricultural sector, food and tourism accommodation, construction and distribution sectors. In the more touristic regions, tourism retail outlets also feature and tend towards the family end of business structure.

At sub-regional, local authority level the statistics illustrate the increasing importance of micro enterprise for rural areas, in terms of numbers, employment and turnover. In terms of business structure by Welsh local authority, between 91 and 95% of all businesses in the rural counties were micro enterprises. Again in rural areas the agricultural, forestry & fishing industries had the largest share of micro size enterprises, followed by construction and then other services.

In both the agricultural and construction sectors, family based micro enterprises are the more common business structure and provide us with the dominant form in both sectors. Percentages remain high in the very broad retail/hotel etc. sector and this is very important in this touristic region, again family enterprise remains a major form of business organization. The production sector is far more variable on all counts. There is also a high level of 'under the radar' enterprise especially in the 'other services' sector, usually providing care and cleaning services for the elderly and the tourist industry. These enterprises are often sole proprietor in form but as noted in the introduction this often means around 67% are in family based enterprises.

Support mechanisms for business in general, micro and family businesses

The Welsh Government provides a whole raft of support for the business sector and is now paying more attention to the specific requirements of family & micro enterprises, though this help is in the development stage. More generic business help is always available in its various forms.

It offers:

- comprehensive information on all aspects of starting up and running a business
- extensive directories of events, business contacts and support schemes
- interactive tools offering tailored advice and information on a wide range of business issues
- transactions, making it quick and convenient to do business with government