9TH GLOBAL ENTREPRENEURSHIP COMPANY

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SDA Bocconi SCHOOL OF MANAGEMENT

RESEARCH
RETHINK
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Family Businesses in Europe

Share* of Family Businesses by Country

77%[3]	83%[4]	79%[4]	85%[2]	70%[5]	61%[4]	85%[4]	65%[4]

The European landscape includes more than **14 million family-run businesses**, representing approximately **50% of the EU's GDP** and employing over **60 million people**, which accounts for around 40-50% of all private sector jobs in Europe[1].

PRESENCE OF A FAMILY CONSITUTION

A Family Constitution is essential to ensure **transparency in governance** and **preserve the company's continuity** and stability.

% of Family Businesses reporting the existence of **a formal Family Constitution:**

Europe	**12%[1]**
Global	**49%[2]**

SUCCESSION PLANNING AND UNCERTAINTY

A **structured succession plan** should be a constant source of sharing and discussion within the family.

% of Family Businesses that state they have **a solid and well-communicated succession plan:**

Europe	**37%[1]**
Global	**30%**

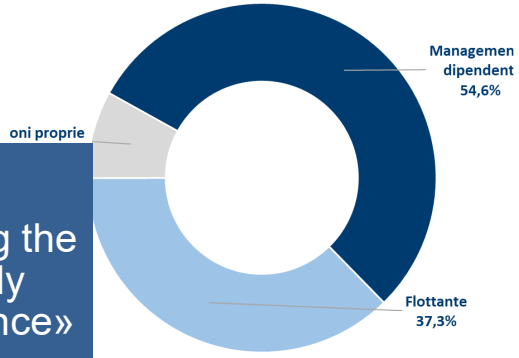
[1]EFB & Deutsch Bank Report on Family Businesses in Europe (2018)
[2]Osservatorio AUB – X edizione, AIDAF (2018)
[3]Lambrecht and Molly, The Economic Importance of Family Business in Belgium (2011)
[4]Family Business International Monitor, FBN International (2008)
[5]Overview of Family Business Relevant Issues, Final Report, Austrian Institute for SME Research (2008)
[6]PwC Global Family Business Survey (2018)
[7]European Family Business Barometer 8th edition, European Family Business – EFB and KPMG (2019)
[8]The regenerative power of family businesses, KPMG (2022)
[9]*Osservatorio AUB – XII edizione, AIDAF (2021).*
*I criteri che definiscono le imprese familiari differiscono tra gli studi e i paesi in quanto si avvalgono di una serie combinata di criteri. Ma il terreno comune tra tutte le fonti risiede nel significativo controllo della proprietà da parte della famiglia e/o dei parenti imparentati. Inoltre, le fonti fanno uso di altri criteri come la rappresentanza del management, la longevità aziendale, l'intenzione di passare alla generazione successiva e altri.
** Dati per l'Italia forniti dal Corporate Governance Lab della SDA Bocconi.

Defining Family Strategy and Family Governance: a 3-step approach

Defining a «Family strategy»

- Definition of the **family-business relations**
- Definition of a **common view** about the **future of the business**
- Preservation of family **legacy** and active protection of traditions and **values**
- Key principles to avoid **inheritance disputes**
- Definition of **leadership roles**
- Definition of **philanthropic goals**
- Identification of **external advisors** that lead the process

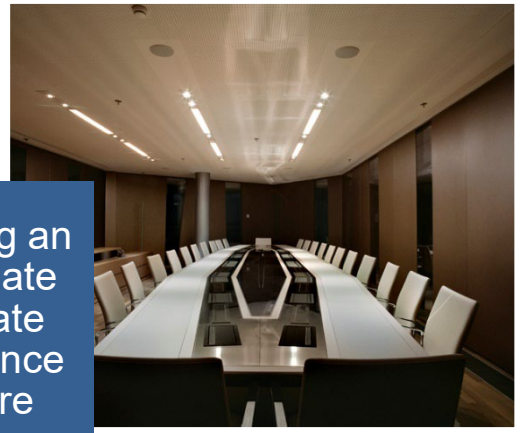
Designing the «Family Governance»



A system of formal and informal rules that can primarily included in three main sets of documents:

- **Family Constitution**
- **Company Bylaws**
  - Transfer of shares and pre-emption rights
  - Functioning and decision-making quorums of shareholders' meetings
  - Nomination of corporate boards
  - Dividend distribution policy
- **Shareholders' Agreement**

Designing an appropriate Corporate Governance structure



Designing a **truly effective Board of Directors** with:

- Co-existence of **exec and non-exec** directors
- The separation of Chair and CEO roles
- Gender balance
- Board committees – when needed
- Attention to **directors' profile** (background and competence)
- As a consequence, **engages in strategy** rather than only monitoring

«Family Strategy» and «Family Wealth»: the case of generational transition

Generational transition phases are essential for building a **Family Ownership Strategy** that ensures unity, multi-generational **continuity,** and strengthens **«Family Wealth»**: *the tangible and intangible investment, the non-financial value recevied by the family, as well as the emotional bond among family members and the business itself*.*

WHY	*WHAT*	*WHEN*
Why "Family Strategy"?	**The Family Ownership Strategy entails**	**When to develop a strategy?**

• Increase in company value
• Clarity in family business leadership
• Alignment of objectives
	• Identify and renew the family's intentions for the business
	• Align expectations on:
	  • business growth
	  • risk level
	  • desired profitability
	  • dividend policy
		• When the founder starts thinking about generational transition
		• When the family evolves into an "enterprising family"
		• When the first role ambiguities among family members begin to emerge

Generational Transition Stats

13%	% family businesses to reach 3rd generation (FFI)
23%	Family businesses led by a CEO/Executive Chairman over the age of 70
49%	% of entrepreneurs never retiring

	Family Ownership Strategy	vs	**Family Business Strategy**
Temporal Horizon	**10-30** years		**2-5** years
Focus	Combining family continuity with business development		Pursuing growth opportunities that are aligned with maintaining family control and expectations of the owning family

*DeAngelis, R. and Fassler, M.L. (2024) *Family Ownership Strategy: Generating Family Currency*. The Family Business Consulting Group.

Building a «Family Strategy»

In 2019, **WIFU*** conducted a study on the status quo of family strategies in entrepreneurial families[1].
214 participants provided an overview of the practices within their businesses and families:

The 3 main reasons for a family strategy:

I. Safeguarding the future of the company **(93%)**
II. Increasing complexity of the family **(82%)**
III. Preserving family solidarity **(81%)**

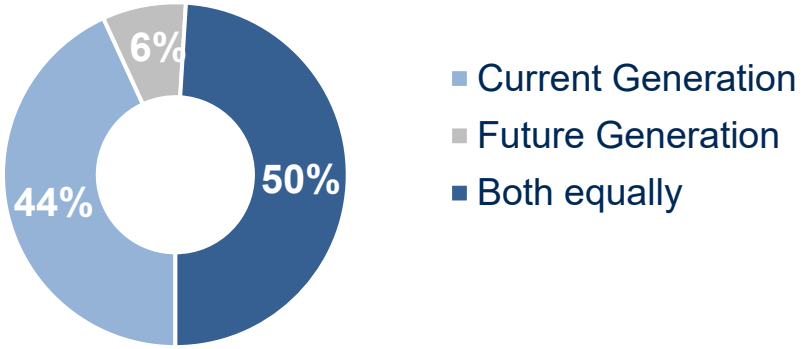
The 3 main challenges in implementation:

I. Integrating rights and duties of all family members into daily life **(50%)**
II. Communication challenges **(45%)**
III. Recognizing rules as binding and as a foundation for everyone's actions **(42%)**

The 3 main reasons why a family strategy is not yet implemented:

I. It has not been necessary **(46%)**
II. The entrepreneurial family is too small **(39%)**
III. Lack of agreement among shareholders **(22%)**

Contribution to the Family Strategy development[2]



Areas that benefit the most from the Family Strategy[2]

* Witten Institute for Family Business

[1] Rüsen, T.A., von Schlippe, A. e Groth, T. (2022) Family strategy development in business families: Content and forms of family governance and family management systems. WIFU Foundation

[2] Rüsen, T.A. and Löhde, A.S. (2021) *The business family and its family strategy: Insights into the lived practice of family governance*