

# EFB NEWS #01

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## European family businesses pull for recovery

*According to a poll conducted in Brussels.*

Family business owners across Europe envisage an increase in turnover for FY 2010, have maintained or even enlarged their staff numbers and many already boosted their activities abroad during the last 12 months.

These are some of the conclusions of a poll conducted by EFB-GEEF, the European family Businesses lobby, among its members about business climate and political sentiment in the EU. The voting took place during EFB-GEEF General Assembly in Brussels, on November 9.

More than 70 entrepreneurs, family business consultants and advocates from 14 EU countries also showed their views on economic recovery, dividend distribution perspectives, and international financing.

According to Philip Aminoff, President of EFB-GEEF, this polling results show that "family businesses provide more jobs in the private sector than any other owner category. Talented high-flyers from publicly quoted companies are getting tired of the short-termism of their objectives and are switching jobs to work in Family Businesses in increasing numbers."

Jesús Casado, Secretary General, stressed the fact, during his speech before the General Assembly, that family businesses are the backbone of the EU's real economy and incubators for entrepreneurship. Productivity, competitiveness and sustainability are part of their DNA, as well as job creation. Europe has been built on their contribution to economic and social prosperity, and now, in times of trouble, Europe should look back to its roots, valuing and fostering the necessary role of family businesses as a reliable and committed driving force for recovery. EFB-GEEF strongly believes in their capacity to generate growth.

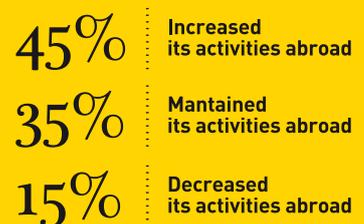
According to your forecast for 2010, your company expects...



In the previous 12 months, your company has...



In the previous 12 months, your company has...



# Letter from the Secretary General



Dear friend,

I am very pleased to welcome you to the first edition of the EFB-GEEF Newsletter.

For our Federation, 2010 was undoubtedly the year of the relaunch of our organization. In April, the General Assembly unanimously agreed that the voice

of Family Business should be more actively represented in the European arena. Therefore, it was agreed that the Association should take a step forward and have a full time Secretary General, and a permanent base in Brussels. Members agreed that in order to make long term entrepreneurship a key driver in the European Economy, we need to be more active in all business related consultations, conferences and meetings, where family business experience and tradition can bring real value to the EU Institutions.

In November, we organized a seminar in Brussels with high level speakers such as former Commissioner for Enterprise, Günter Verheugen, Matti Vanhanen, former Prime Minister of Finland and the new Secretary General of the Finnish Family Firms Association and other Family Entrepreneurs. After the meeting, we had dinner with Alejo Vidal-Quadras, Vice-President of the European Parliament.

We have organized meetings with different journalists (Financial Times, Europolitics, Reuters) to show them the results of the poll conducted in Brussels General Assembly 10th November, where EFB-GEEF's 2011 strategy, new communication strategy and new fee structure were adopted.

Besides, Hungary has joined as a new member of EFB-GEEF. FBN Hungary has been set up because the country is entering a critical phase of first generation successions. This appointment coincides well with the up-coming EU Hungarian Presidency. As a result, our next General Assembly will be held in Budapest, on the 7th and 8th of April 2011.

We have reinforced our Management Committee with the presence of Matti Vanhanen who, as former Prime Minister of Finland and fully convinced of the great values that family business can bring to the European Economy, will be of enormous help to better convey our message in this new phase we are about to begin.

For 2011, we have an ambitious programme ahead of us: EFB-GEEF hopes to make progress in our on-going relationship with DG Enterprise, but as well, we want to start working with DG Taxation, DG Education and DG Internal Market. We also want to participate in the up-coming consultations on the Small Business Act, on taxation problems when dividends are distributed across borders or on Access to Finance in the frame of the Single Market Act, to name a few.

I hope you find this new publication from EFB-GEEF interesting and helpful.

Best,

Jesus Casado Navarro-Rubio  
Secretary General

## General Assembly in Brussels

*At the Stanhope Hotel, Brussels, on the  
10<sup>th</sup> of November.*

European Family Businesses (EFB-GEEF) held on the 10th of November its General Assembly in Brussels. Jesús Casado, the Secretary General, reviewed the main issues EFB is working on, and reported about the institutional meetings held. Because of its importance, Mr. Casado highlighted the meeting with Commissioner Olli Rehn on 25 May, or the response sent to the Commission's consultation on cross-border inheritance tax.

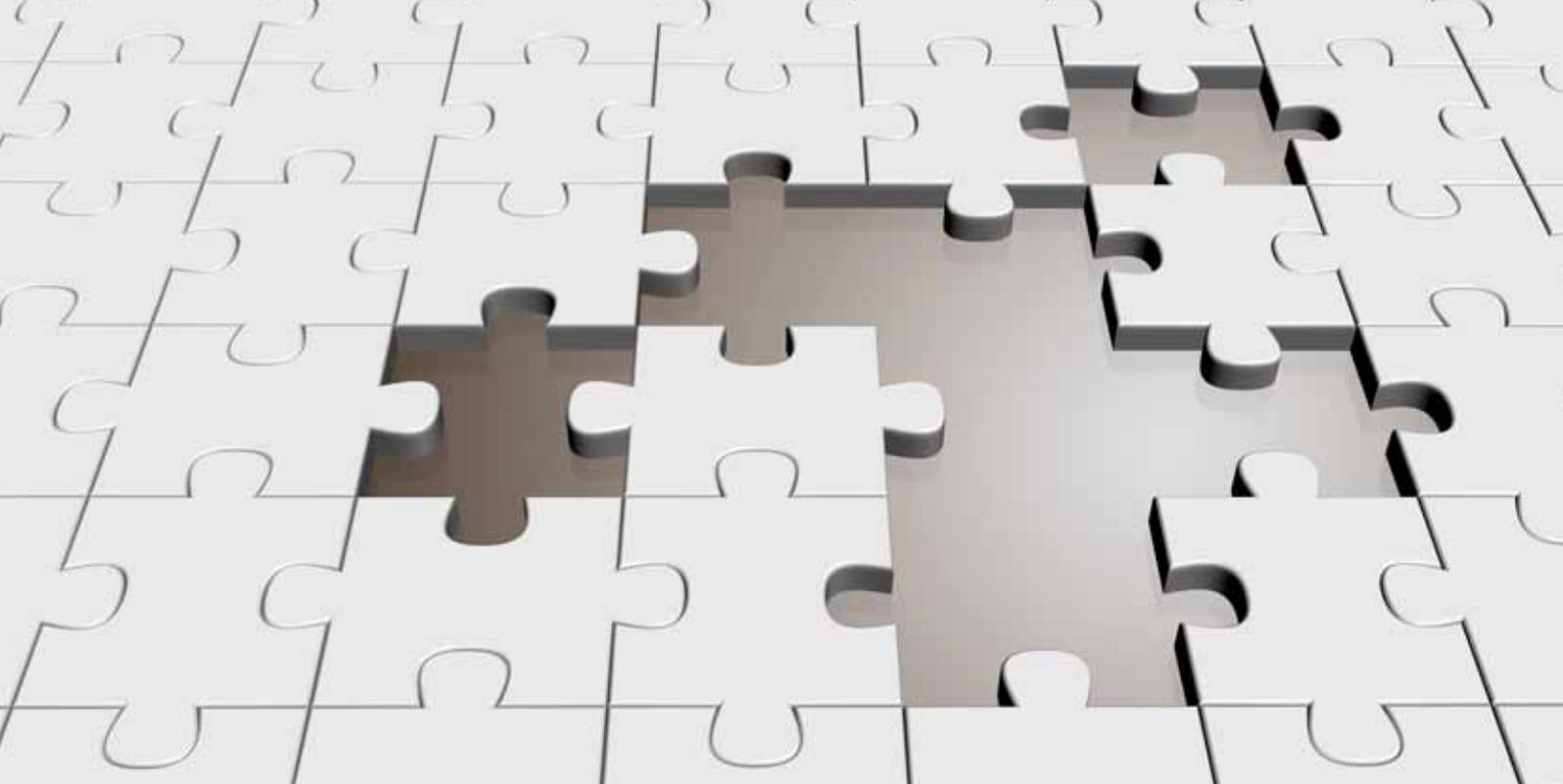
Both the President and the Secretary General reviewed the new member event that took place the day before at the Stanhope Hotel. They noted that potential candidates include Hungary, Poland, Slovenia, and the Czech Republic. Mr. Casado informed the General Assembly that the meeting had been very useful as it had helped to gauge the needs of potential new members. There will be an upcoming boom of successions that will start in Central and Eastern Europe, and, according to Jesús Casado, "EFB-GEEF has a potential role to play".



Philip Aminoff invited Ann Kinkade, President and CEO of Family Enterprise USA to present the organization and its current activities.

The General Assembly welcomed Hungary as a new member of EFB-GEEF. Tamás Kürti (Kürt Corp) was invited to present FBN Hungary to the attendees. Mr Kürti noted that the organisation boasted almost 50 members and that FBN Hungary was in a strong position. He stated that with the help of EFB-GEEF, the up-coming Hungarian Presidency could be the Family Business Presidency.

Previously, the night before a gala dinner took place, with European Parliament Vice President Alejo Vidal-Quadras as guest of honor.



## Entrepreneurship: backbone of the EU's economy

*Former Commissioner Günter Verheugen signals family businesses as Europe's main asset for recovery.*

The past 9th of November, on the occasion of the EFB-GEEF's General Assembly, European Family Businesses organized a round table focused on entrepreneurship and its contribution to the European economy.

The venue, held at The Stanhope Hotel, gathered almost a hundred people including family business owners, consultants and top-flight officials from the Commission, as well as several Members of the European Parliament (MEPs).

The main speaker was former Commissioner for Enterprise Günter Verheugen, who pointed out that the main asset on which the European economy can rely for recovery are precisely family businesses.

Former Finnish Prime Minister Matti Vanhanen was also a participant in the round table. Mr Vanhanen left office recently and just joined the Family Business Association of Finland as general manager. He stressed the importance of founding the new economic model on an equity friendly culture rather than on a debt-based one, following the line family businesses have followed through generations.

Participants also had the opportunity to receive first-hand feedback from relevant businessmen and entrepreneurs.

Carlo Ferrari, from Italian group Agostini, Dutch distiller Bob de Kuyper, Solvay executive Edouard Janssen and the young Hungarian entrepreneur Tamás Kürti (Kürt Corp) shared with the audience their views on the economic crisis and its challenges. They all convened on the importance of education to transmit between generations the entrepreneurial spirit.





## Interview: Philip Aminoff President EFB-GEEF

*'European Family Businesses-GEEF is the voice of long-term entrepreneurship in Europe'*

### **How would you define EFB-GEEF and its main goals?**

European Family Businesses – GEEF is the voice of long term entrepreneurship in Europe. It is the only organisation that represents patient capital. Its unique point of view has been lacking entirely in the political discussions in Brussels. Our influence has increased because the idea that you can build a sustainable economy on the basis of frantic transactions and mountains of debt has failed. As they search for alternatives, policy makers are discovering the benefits of a model where long term entrepreneurship and patient equity play a larger role. Here EFB-GEEF is the evident sparring partner, representing as it does long term businesses from twelve countries, with combined sales of more than one trillion euro.

### **What does EFB have to offer in the European arena?**

We can help with ideas that make it more interesting for entrepreneurs to build their businesses not only for an exit but for the long term. We can provide examples of policies that support the retention of profits in companies, which would improve their capability to make new investments, and policies that make it more interesting to invest additional money into company balance sheets, a great way of improving their access to finance. This philosophy, which starts with creating a sound environment for long term entrepreneurship and for human beings as business owners permeates our conversations with EU officials and of course, underlies our input to the various consultations of the European Commission in which we are participating.

### **In your opinion, what do we have to do to reactivate growth and be able to generate prosperity and jobs?**

Today the overwhelming part of household savings is invested in deposits or bonds or in property. We need to utilize the activity, not in the form of frantic buying and selling stocks but in the form of

potential of this savings pool and make it more interesting for households to commit savings to funding entrepreneurial activity, not in the form of frantic buying and selling stocks but in the form of paid-in capital. We need to bring back the idea that not all business is managed with the intent to sell. But that businesses can be owned with the intent to build something sustainable, something that can hold for generations - such as family businesses. This can be done quite easily, by creating a level playing field for equity as a source of company funding. Today most fiscal systems across Europe tax equity much more harshly than deposits or bonds or property.

### **Can you elaborate a little bit further in this last point?**

Fiscal systems across the world favor debt. But equity has advantages. A company with a strong equity position is independent. It will not be rocked by turmoil in the financial markets. It can take a profit hit without breaking loan covenants. It can deal with revaluations of goodwill or pension liabilities. It can make investments on very short notice when the opportunity arises. It can also bring another very important advantage: a world economy based on independent decisions on the use of equity in self-reliant companies in the real economy rather than on regulatory decisions on access to debt from government-supported financial institutions.

### **Education should play a very important role to change mentalities, then...**

We really need a much more balanced world of education, where people learn more about the power of personal initiative, the value of personal responsibility and trust, and the unavoidable duality of many concepts such as: power and responsibility, risk and return, etc.

Nowadays, schools teach very little about good housekeeping, which is where it all starts. We see across society a lack of understanding of how to make ends meet, and surprisingly many do not know how concepts such as interest actually work. It would be very useful to improve knowledge of these simple but fundamental concepts.

### **Currently, you represent family businesses from 12 European countries. Do you intend to cover all EU shortly?**

We have to cover the European Union much more fully. A handful of established family firms associations have not joined yet, and some of the new member states do not as yet have organizations that can claim to be representative of local family businesses. We'll be able to grow the number of members as we deliver results. Our target is to have 18 members by 2014, a 50% increase.

### **We have just started the Hungarian Presidency, who has stated that SME's are fundamental for an economic recovery. Are you in touch or collaborating with them?**

Many issues that are important to SME's are equally important to family businesses. The problem with the SME concept is that it is only a size. It leaves out any recognition that companies can be very different in nature and that these differences will make them respond very differently to political initiatives. For instance, a change in the tax rate on dividends paid to households will have little impact on the behaviour of a state-owned SME, but can make a big difference for an entrepreneur who thinks of investing more of his savings into his company.

Let me quote here former commissioner Günter Verheugen, who recently underlined the importance of the family business sector, not only describing it as the main asset that we have in the European economy, but also as a key element in a democratic society.

The Hungarian Presidency is interested both in entrepreneurship and the role of the family, and we will be working very closely with them. In April, I will be participating in the informal meeting of the Competitiveness Council that will be held in Budapest, invited by the Hungarian Government.