

Summary Report

Roundtable on Family Business: Brussels, 19th of March 2019



Thanks to the initiative of Commissioner Oettinger, in preparation for the new institutional cycle, high-level representatives of European Family Businesses met with Commissioners Elżbieta Bieńkowska (Commissioner for Single Market, Industry, Entrepreneurship and SMEs) and Günther Oettinger (Commissioner for EU Budget and Human resources), MEP Martina Dlabajová (Committee on Budgetary Control) and MEP Angelika Niebler (Committee on Industry, Research and Energy) to discuss the state of family businesses in Europe.

Overview

Commissioner Oettinger welcomed the participants and remarked that this meeting was adjourned to discuss what support family businesses need in the coming years and what can be best delivered and achieved at the EU level. He noted that family businesses in Europe must be considered as part of the culture fabric of the EU. In addition, he acknowledged that, although the last few years had been relatively successful, the next years promise to be more challenging. As a result, he stated, it is

imperative to stabilise and promote the framework for family businesses in the future and defend their cultural heritage.

Commissioner Bienkowska declared that, through the current SME support framework, the European Commission has done a lot to help family businesses. With regards to business transfers, she noted that the Member States were encouraged to adopt national action programmes following the high-level conference in Malta in 2018. In addition, through the Enterprise Europe Network, she noted that a myriad of support services is available to companies in need. Regarding the MFF, the Commissioner explained that the new EU Invest programme would simplify rules and procedures, removing bottlenecks and facilitating access to finance for SMEs. She acknowledged that the equity bias in taxation remains a problem in Europe.

MEP Angelika Niebler, rapporteur of the 2015 family business resolution, noted that during the drafting of the resolution it became apparent that one of the unique features of family businesses was their regional importance and social responsibility. Mrs Niebler concluded that actions to support family businesses must come from all levels. On the question of supporting mid-sized hidden regional champions, she conceded that this must be a priority for the new Parliament and Commission. We need to work to foster the hidden champions, but that does not mean becoming protectionist or creating more legislation.

Martina Dlabajova, MEP, remarked that, in her view, education is a major issue for family businesses. As well as the promotion of entrepreneurship education at all levels, the EU must also prioritise the promotion of family business specific curricula.

In addition, she noted that younger generations must be involved in the business as soon as possible; the survival of Europe's businesses depends on the commitment and talent of the next generation.

She concluded by reminding the audience that we need a stronger voice for business owners in Europe; they are too fragmented. There is no institutional framework to put in contact business owners with politicians.

In his opening statement **Alfonso Libano**, President of EFB, noted that family businesses form the basis of the EU's social market economy and are the cornerstone of responsible ownership and long-term entrepreneurship. He stated, *'what we need from our decision-makers is simple: recognition of the indisputable and valuable contribution that responsible owners from family businesses make to support and maintain stable local and regional economies.'* He concluded by proposing that the European Commission looks into drafting a communication that analyses and outlines the role of Family Businesses in Europe.

In his intervention **Jesus Casado**, Secretary General of EFB, declared that data on family businesses are urgently needed: *'without them, we do not exist!'* for policy makers. He stated that some progress had been made thanks to a pilot EU project. However, he remarked that the results were unreliable as the implemented statistical methodologies were inconsistent across the participating countries. He noted that the European Commission should:

1. With Eurostat, find a statistically workable definition;
2. Launch a new pilot project using consistent and comparable methodologies;
3. Update the European Commission SAFE survey to capture the ownership structure of the European companies.

Jan Van Oord, member of EFB's Executive Committee, focused on the perennial issue of intra-family business transfers. He reminded the audience that family businesses need a fair and simple administrative and fiscal transfer of business environment to ensure that companies and jobs are not needlessly lost.¹ Furthermore, he noted that a particular focus should be put on Central and Eastern Europe and small family businesses. He explained, in certain EU countries, there still seems to be a fundamental misunderstanding of the difference between private owner assets and assets allocated in the business. He concluded by noting that the European Commission is the ideal institution to monitor and review the legal, administrative, and fiscal environment that regulates family business transfers across Europe.

In his address, **Alexander Bargum** stated that the fiscal treatment of debt and equity remains a crucial issue for family businesses in Europe. The use of equity, in particular retained earnings, is often treated unfavourably by many European tax codes. This has led to a situation where companies have become over reliant on debt financing. In the interest of the proper functioning of the single market, Mr Bargum urged the European Commission and Parliament to continue to encourage the Member States to correct the "debt bias" to ensure that equity enjoys the same fiscal treatment as debt. Alexander Bargum declared that Europe needs a cultural shift that puts equity finance on par with debt: 'we must promote a system that encourages the accumulation of equity'.

In relation to the importance of regional 'hidden' champions, **Philip Haspeslagh**, Chairman of FBN Belgium, argued that Europe needs strong global players that, in spite of their small or medium size, are worldwide leaders in their sector. Highly innovative and globalised, they are the champions that Europe needs to compete with China and US in the global market. He remarked that many EU regions thrive and prosper thanks to their regional business champions. In most cases they are mid-sized, family-owned,

¹ The European Commission estimates that 450.000 enterprises, representing 2 million jobs, are transferred yearly in Europe.

and they are an encapsulation of our European-style capitalism²: To better support these businesses, Mr Haspeslagh recommended that the European Commission should support the creation of a mid-cap definition that acts as a transitional tool that facilitates the growth of SMEs during their growth and scaling-up phase.

In his intervention, **Peter Villax**, President of Portuguese Family Businesses, made reference to the Lisbon agenda which had aimed to make the EU 'the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion.', before 2010. However, it was not successful because it did not involve more stakeholders, particularly businesses. Mr Villax declared that the Lisbon Strategy had the right objectives and that it could and should be re-launched as the 'EU Charter for Business' (Including digital technology, industry 4.0, education for prosperity and energizing investments). Mr Villax concluded that, in relation to big challenges that the Europe faces, EU decision makers and business leaders must come together to re-initiate investment, to drive digital transformation, and to educate for prosperity.

Next Steps

1. In preparation for the new Parliament and Commission it was agreed that a follow-up meeting should be organised in October 2019. The date will be fixed in June;
2. Commissioner Bienkowska also committed to send EFB a list of actions and initiatives that have been launched under her tenure that support family businesses.
3. Jesús Casado will send DG GROW proposals so that the ownership structures of surveyed companies, within the SAFE Survey, is captured.

² The statistical analysis of mid-caps has helped to make objective measurements of their contribution to the French economy: they thus represent 25% of total paid employment with more than 3 million jobs, 30% of turnover and 34% exports. Mid-caps also represent 35% of added value and 38% of jobs in French industry, making it the category of reference for this segment of the economy. According to INSEE, between 2009 and 2015, they even created over 335,000 net jobs, far ahead of the SMEs (+96,400), large enterprises (-80,700) and micro-enterprises (-98,900).