

The economic importance of family firms in Belgium

Wim Voordeckers



UHASSELT

KNOWLEDGE IN ACTION

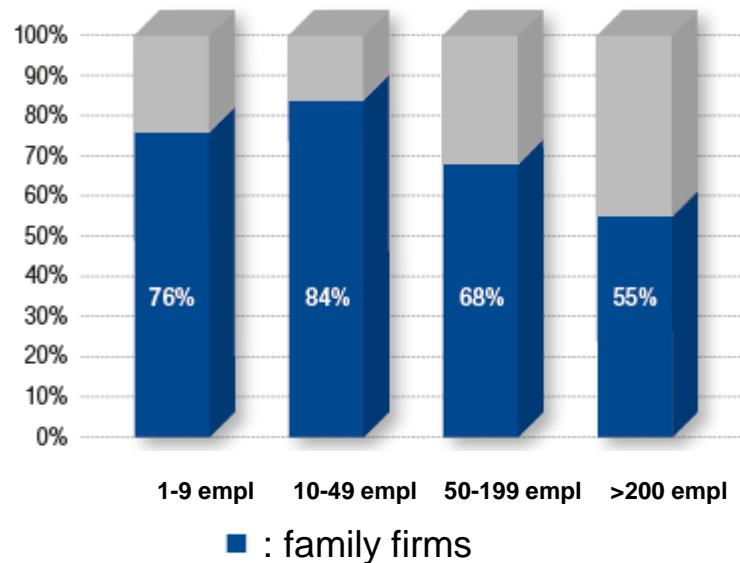
**FACULTY OF
BUSINESS ECONOMICS**

Content

- I. Economic importance
- II. Competitive challenges
- III. Professionalisation

I. Economic importance

- Number of family firms (GEEF definition)
 - Of all incorporated firms: 77% is a family firm
 - Family firm is not synonymous for small firm: 55% of the firms (>200 employees) are family firms



Source: FBNet 2011 (Lambrecht & Molly, 2011)

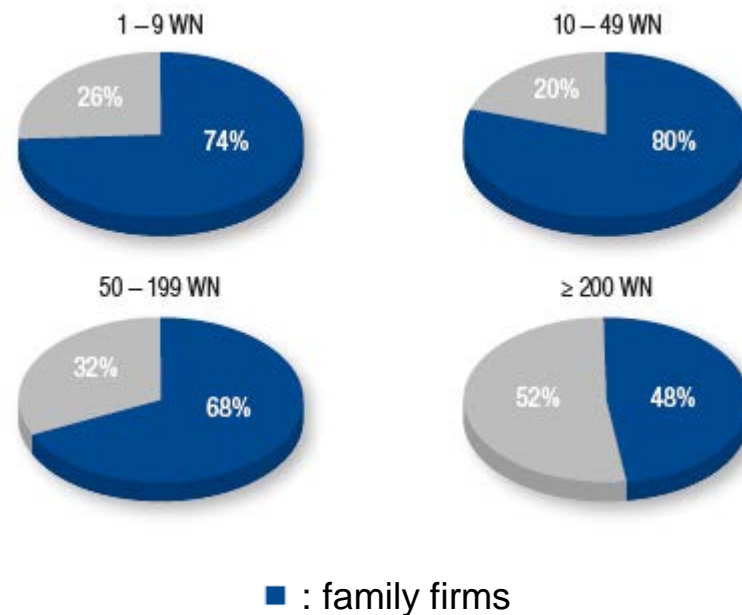
I. Economic importance

- Generation for family firms of which the CEO > 50 years (Steijvers et al., 2015)
 - Ownership:
 - 1st generation: 42%
 - 2nd generation: 37.4%
 - 3th generation+ : 20.6%
 - Management:
 - 1st generation: 51.1%
 - 2nd generation: 31.9%
 - 3th generation+ : 17%
- Ownership structure
 - 1 shareholder: 21.9%
 - 2 shareholders: 48.1%
 - 3 shareholders: 16.1%
 - 4+ shareholders: 13.9%

I. Economic importance

- Employment in family firms
 - Family firms provide 45% of all employment in Belgium (1,710,000 employees)

Figure: Contribution of family firms to employment per size category



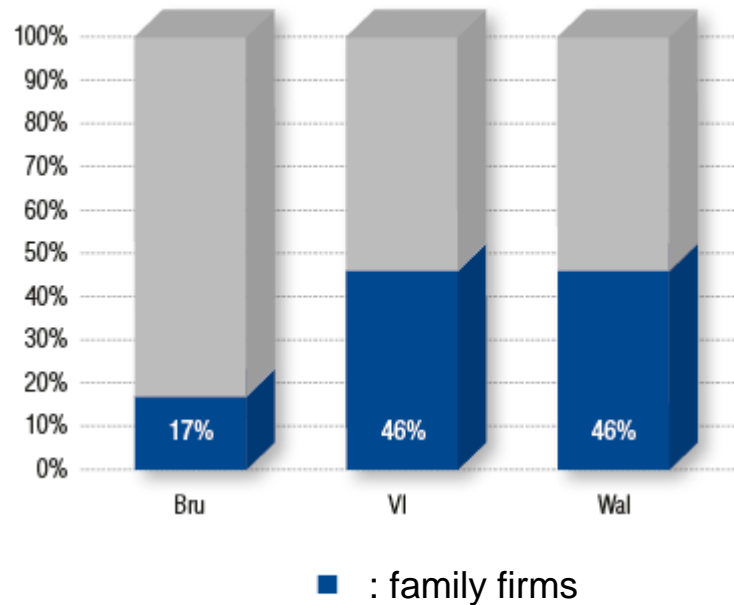
Source: FBNet 2011 (Lambrecht & Molly, 2011)

I. Economic importance

■ Gross Domestic Product

- Family firms represent 33% of the Belgian Gross Domestic Product.

Figure: Contribution of family firms to gross regional product



Source: FBNet 2011 (Lambrecht & Molly, 2011)

I. Economic importance

- Family firms of which the CEO > 50 years:

Table: Potential economic loss of 78.897 SME's and micro firms of which the CEO is older than 50 years

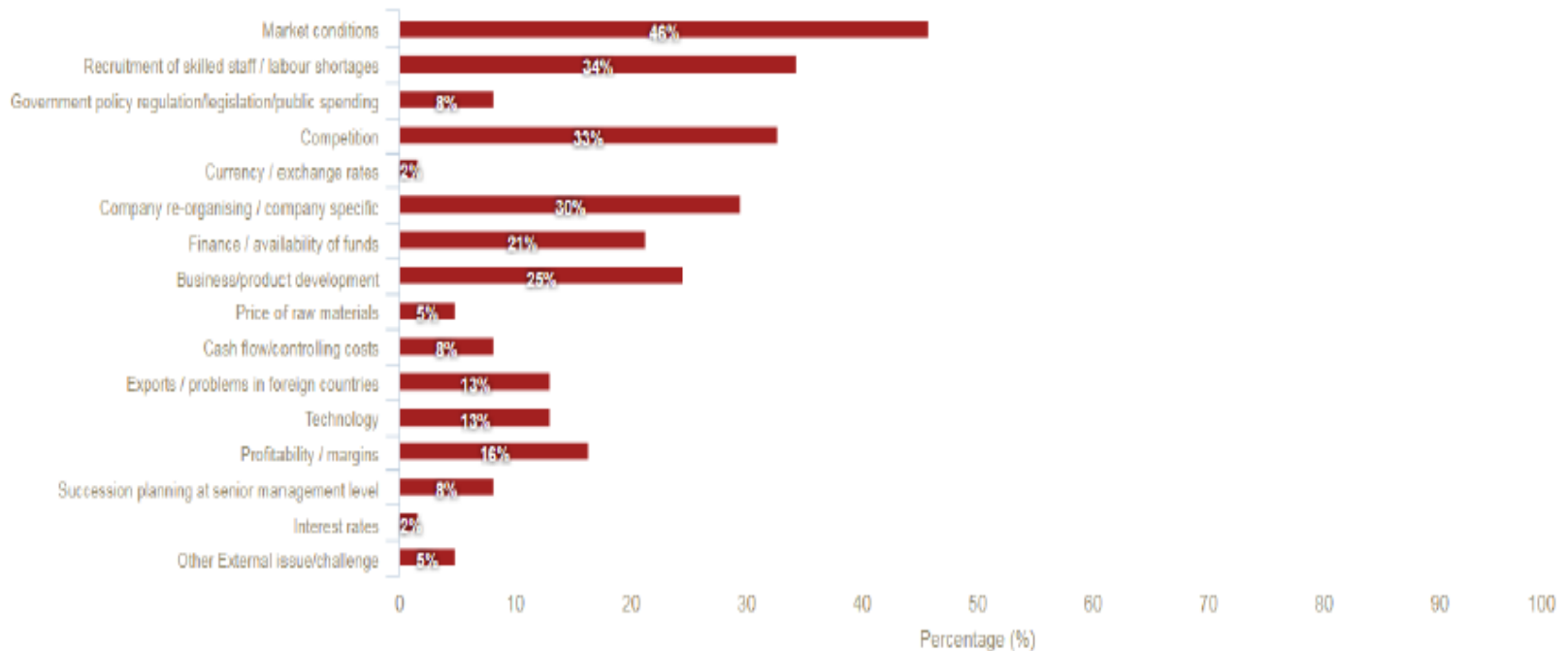
	Value of firms with Total Assets < € million	Value of firms with Total Assets ≥ € en < €3 million	Total number of firms (SME's and micro firms)
N	71,816	7,081	78,897
Profit (loss)	€54,778,866	€1,372,861,892	€2,227,640,758
Net Added Value	€6,845,067,068	€6,960,370,002	€13,805,437,070
Total Assets	€6,672,563,296	€44,592,992,620	€71,265,555,916
Number of employees	273,487 Obs.: 67,553	222,592 Obs.: 11,344	496,079 Obs.: 78,897

Source: Steijvers et al. (2015)

II. Competitive challenges

Q: Main internal & external issues being faced in the next 12 months?

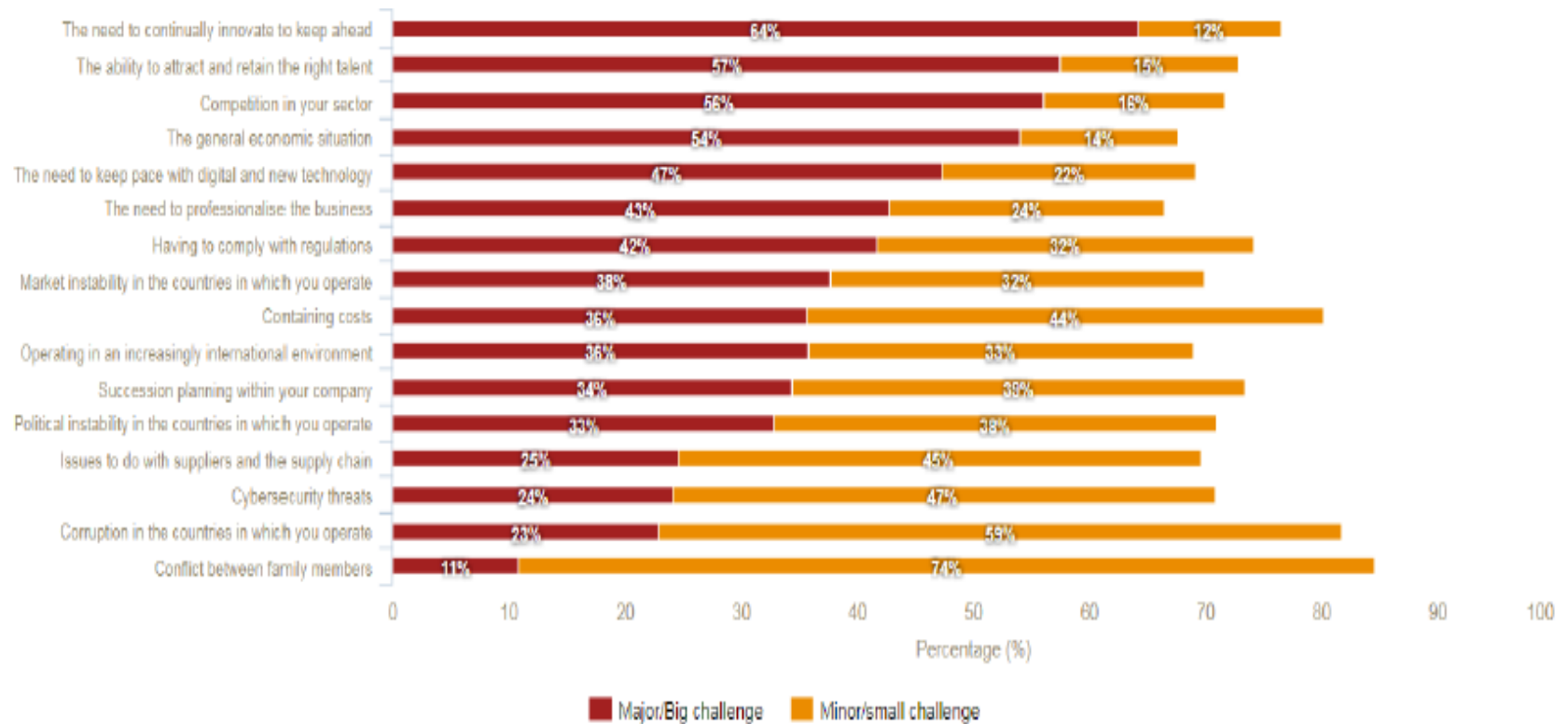
Belgium



Source: PWC 2016 Global Family Business Survey

II. Competitive challenges

Q: Key challenges over the next 5 years



Source: PWC 2016 Global Family Business Survey

II. Competitive challenges

- Almost half of the Belgian family businesses have grown their top line over the last 12 months, which is significantly less than compared to two years ago.
- 70% of family businesses see price competition as a significant hurdle over the next 5 years.
- Attracting and retaining suitable personnel remains one of the most important challenges for Belgian family businesses, even more than two years ago, and substantially more than the international average.
- 89% of family businesses have international sales
- Export of goods and services is also for our Belgian family businesses becoming increasingly important. In 5 years' time, the Belgian respondents expect to realise 45% of their turnover abroad.

Source: PWC 2016 Global Family Business Survey

II. Competitive challenges

- 24% have taken measures as a result of Brexit (or plan to do it)
- Clearly more than in 2012, Belgian family businesses have clear plans about the future of the company.
- Professionalization remains an important theme, not just for the family business, but also for the family behind the business.
- Digital challenges:
 - 59% understand the tangible business benefits of moving to digital and have a realistic plan for measuring them.
 - 52% family businesses have a strategy fit for the digital age.
 - 56% says digital is integrated within the business's culture.

Source: PWC 2016 Global Family Business Survey

II. Competitive challenges

- Tax environment

- Corporate tax reform:
- Tax rate from **33.99%** (33%+3%) to **29.58%** (29% +2%) in 2019 and **25%** (25% + 0%) in 2021.
- Special tax rate for SMEs: taxable basis <€100,000 = 20%

III. Professionalisation

- Some figures:

- 22% of the family firms (NVs) versus 62% of nonfamily firms have an active board (= 4+ meetings) (Source: 2011 FBNet study)
- 3% of all family firms have an advisory board (Source: 2011 FBNet study).
- Nonfamily members on the board: 74% (Source: PWC 2016 Global Family Business Survey)
- Nonfamily members with share ownership: 23% (Source: PWC 2016 Global Family Business Survey)

III. Professionalisation

A) Corporate governance & Boards of directors

- Main idea: Many CG recommendations may be detrimental for family businesses
 - May harm family unity
 - May be too complex for private firms
 - May be not adapted for situation of concentrated ownership

III. Professionalisation

Code Buysse



CORPORATE GOVERNANCE

Aanbevelingen voor niet-beursgenoteerde ondernemingen



UHASSEL

KNOWLEDGE IN ACTION

III. Professionalisation

- In 2005, employer organisations UNIZO & UCM initiated the Code Buysse I for non-listed firms.
- This year, the third version of the code has been issued.
- The aim of the Code is *“to provide an important aid for doing business in an untroubled and efficient way. It is intended to offer our business leaders a practical manual that they can use to bring about profitable, sustainable growth”*

III. Professionalisation

- Some basic principles:
 - “It is important to take into consideration the characteristics of each individual firm when developing its corporate governance”
 - Voluntary basis
 - Corporate governance evolves as an enterprise grows. Four phases:
 - Sound entrepreneurship
 - Advisory council
 - The active board of directors
 - Continued expansion of the instruments of governance (committees)
 - English version II on <http://www.codebuysse.com/en/default.aspx>

III. Professionalisation

- Content Code Buysse III
 - Sound entrepreneurship
 - Corporate social responsibility
 - The advisory council
 - An active board of directors
 - High-performance (senior) management
 - Involved shareholders
 - Control and risk management
 - Special recommendation for family enterprises – family governance (family council, family charter, consultations with shareholders, succession, conflict resolution)

III. Professionalisation

- Some challenges?
 - Convincing family entrepreneurs of the added value of corporate governance and an active board of directors.
 - Corporate governance scan (see next slide)
 - Problem of overboarded directors.
 - Results of study FBNet Belgium
 - “With who do you discuss the main strategic issues of your firm?": 78%: Accountant; 25% Spouse; Colleague Entrepreneur: 26%; Board: 9%
 - Family governance? 2% of the firms seem to have a family forum.

III. Professionalisation

webserver.xepos.be/quickscan2/

LPF limburgs platform familiebedrijven

Hoe kan ik sneller en beter beslissen in mijn bedrijf?

vkw limburg
versterkt ondernemen

Corporate Governance Scan

De toepassing van een **corporate governance code** voor niet-beursgenoteerde **familiebedrijven** is een moeilijke oefening. Men moet een **juiste balans** zoeken **tussen de concrete governance behoeften van het bedrijf en de familie**. Vindt men echter het correcte evenwicht? Dan is het mogelijk de samenstelling en de werking van de diverse beleidsorganen te optimaliseren.

De **Corporate Governance scan** signaleert **actiegebieden** en vertrekt vanuit de concrete realiteit van een familiebedrijf. Deze scan werd **geactualiseerd in juni 2011** op basis van nieuwe evoluties m.b.t. corporate governance, vernieuwend onderzoek vanuit Universiteit Hasselt en Code Buysse II. Het invullen van deze scan neemt slechts 10 minuten in beslag. De positie van uw bedrijf op vlak van corporate governance krijgt u a.d.h.v. knipperlichten in een handige pdf. Het helpt u op weg om de nodige actie te ondernemen. Een verklarende handleiding met nuttige en praktische tips vindt u terug in het boek "**Corporate governance in het familiebedrijf: hoe beter en sneller beslissen?**".

Start

CodeBuysseIII_NL.pdf

Alles weergeven

13:11
1/11/2017

III. Professionalisation

Uw corporate governance score

Legende

Rood:
Het bedrijf scoort onvoldoende op dit item, bijsturing is noodzakelijk.

Oranje:
Het bedrijf scoort matig op dit item, bijsturing is aan te bevelen.

Groen:
In de gegeven omstandigheden scoort het bedrijf een voldoende op dit item.
Dit betekent dat het bedrijf ofwel voldoet aan de norm van dit item ofwel dat voor dit item nog geen bijsturing vereist is.

1. Lange termijndenken & visie binnen het bedrijf
Business plan
Financieel plan
Opvoiging bedrijf

2. Samenstelling van de Raad van Bestuur
Voorzitter
Externe bestuurders
Niet-actieve familiale aandeelhouders
Diversiteit

3. Werking Raad van Bestuur/Raad van advies
Vergaderfrequentie
Formaliteiten (notulen)
Evaluatie
Comités
Teamwerking

4. Taken van de Raad van Bestuur/Raad van advies
Strategische functie
Controle functie
Benoeming & remuneratie
Opvoigingsadvies
Afbakening functie Raad van Bestuur

5. Performantie van het topmanagement of directiecomité
Samenstelling
Werking
Relatie RvB - TMT

6. Familiale governance
Aandeelhoudersovereenkomst
Familieforum
Familiecharter
Familiaal overleg

7. Relaties met belangenpartijen
Relaties met externe belangenpartijen
Personeel



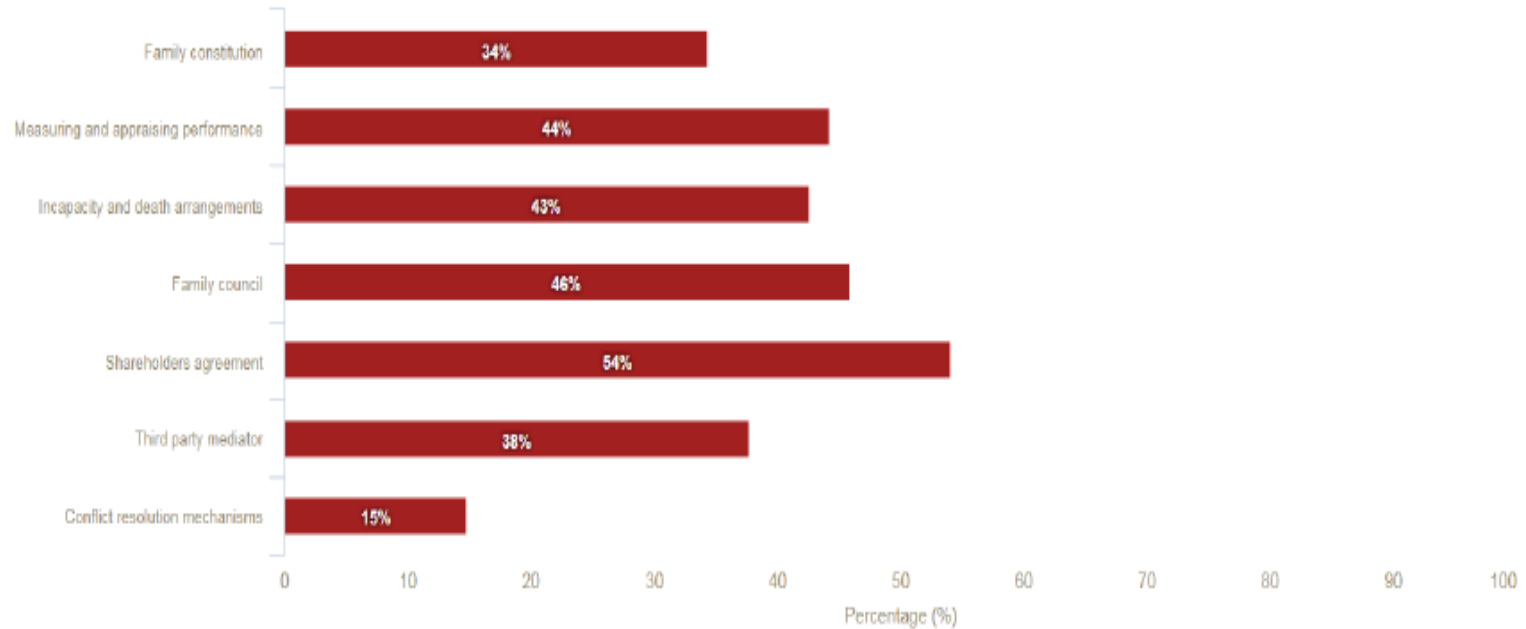
met staan van het Agentschap Ondernemen

III. Professionalisation

B) Family governance

Belgium

QUESTION



Q: procedures or mechanisms in place to deal with family conflict

Source: PWC 2016 Global Family Business Survey

III. Professionalisation

C) Succession

- Inheritance tax : 3%
- Gift tax: 0% under certain circumstances
 - Objective: stimulating continuity of family firms
 - 3 years after the gift:
 - Participation condition
 - Activity condition: real economic activity
 - Maintaining headquarters in EC
 - Publishing of annual accounts

III. Professionalisation

- 55.6% of family firms (CEO > 50 years) is planning the succession
- 17.4% of the family firms has finished the preparation of the succession
- 24.3% has a shareholder agreement

Questions?

