ORGANIZATIONS SUPPORTING FAMILY BUSINESSES

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Összefoglalás

A tanulmány célja, hogy bemutassa azokat a nemzetközi és hazai szervezeteket, amelyek a családi vállalkozások támogatására szakosodtak.

A támogató szervezetekről szóló dokumentumok vizsgálatának a módszere az online források és dokumentumok elemzése.

Miután meghatároztuk a családi vállalkozások koncepcióját és gazdasági jelentőségét, áttekintjük a családi vállalkozásokat érintő trendeket és kulcskérdéseket, a Family Business Barometer eredményei alapján. A barométert a KPMG és az európai családi vállalkozások szervezet (EFB) hozza létre.

Alapvető forrásunk a legnagyobb globális szervezet, a Family Business Network honlapjának és adatainak a vizsgálata, amelynek országos fiókjai is működnek. A PwC Global Family Business Survey eredményeit is elemezzük. Az így kapott eredmények alapul szolgálnak a magyar családi vállalkozások további elemzéséhez.

Kulcsszavak: családi vállalkozás, hálózatok, kutatások

Summary

The purpose of this paper is to introduce those international and national organizations which are specialized for supporting family businesses.

The method of the investigation of these supporting organizations is analysis of online resources and documents. After defining the concept and economic importance of family businesses, we review the trends and key issues influencing family businesses, based on the Family Business Barometer results. The Barometer is created by the KPMG and the European Family Businesses (EFB).

The fundamental resource for our analysis is the investigation of the largest global organization - the Family Business Network -, whose national branch offices are also operating. We also analyse the PwC Global Family Business Survey's results. Thus obtained results serve as a basis for further analysis of the Hungarian family businesses.

Keywords: family business, networks, surveys

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Introduction

The purpose of our paper is to introduce those international and national organizations which were founded and specialized for supporting family businesses. After defining the concept and economic importance of family businesses, we review the trends and key issues affecting family businesses.

In the main part of the paper we intend to introduce and explore the international and national organizations which aim to support the family owned businesses.

One of them is KPMG which serves this aim with regular Family Business Barometer. We also analyse the Global Family Business Survey accomplished by PwC. The methodology of our paper for investigating the supporting organizations is analysis of online resources and documents.

The largest global organization is the Family Business Network whose national branch offices are also operating. The Hungarian branch is the FBN-H – Responsible Society for Hungarian Family Businesses. Thus obtained results serve as a basis for further analysis of the Hungarian family businesses.

According to the International Family Enterprise Research Association (IFERA) "radical technological changes in family firms' business environment, as well as major social, economic and political changes throughout the world, demand more flexibility and adaptability from family firms. At the same time, the family system itself is altering significantly. Families become smaller, have fewer children and will include more elderly persons, potentially endangering the continuity of the family firm. It is thus increasingly important for family firms to develop strategies and structures needed to address radical change, both internally and externally" (ifera2018.ifera.org, 2018).

Comparing the results 2013-2016, we intend to conclude the major and relevant trends and topics for family businesses which can be fundamental for our research among Hungarian family businesses.

Concept of family business

Today it is widely accepted that the small and medium sized enterprises (SME) have significance and key role in the economic process: they are flexible, they adapt quickly to the rapidly changing market conditions, they have remarkable role in creating jobs. They contribute to the diversification of economic activity and they play an important role in trade and export. Despite the fact that the family enterprises are mostly identified as micro and small enterprises, family enterprises are present in every size category (Smyrnios et al, 2013, Konczosné 2015, 2016)

The suggested definition by the experts of European Commission (2009) for family businesses is based on the elements of family, enterprise and ownership. An enterprise, independently on its size, can be considered as family business if:

- most of the rights of decisions are reserved for natural person(s) who founded the enterprise, or such natural person(s) who have obtained ownership in the enterprise or spouses, parents, children or children's children of the persons already mentioned,
- the rights of decision are direct or indirect,
- at least one member of the family or kinship formally participates in the operation,
- and stock exchange-listed companies can be considered as family businesses in that case when the person who founded the company or purchased it or either his family or his descendants have ownership over 25% of shares representing rights of decision.

In the survey of PricewaterhouseCoopers (2008) those enterprises can be considered as family businesses in which at least 51% of the ownership is in the property of one or more related persons, the senior management consists mostly of family members, and the owners participate in the daily operation process.

Anderson and his colleagues (2005) resolve this difficulty and give a complex and flexible definition and typology of family businesses (Figure 1).

Three types of family-business cluster were identified. One group, "Family In" saw the family and business as a single unit, whilst the "Family Out" cluster should be kept as far apart as possible. The third group, "Family Jugglers" were concerned to balance the interests of both parties, and maximum formal family involvement was restricted to the employment of a few kin in the firm. Nonetheless they were comfortable with, and accepting of, some degree of overlap between the two domains. The "Family In" group encompasses the first (tight definition), second (middle definition), and third (broad definition) circles of the model. (Anderson, 6-7.).

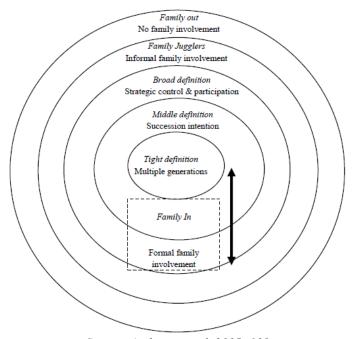
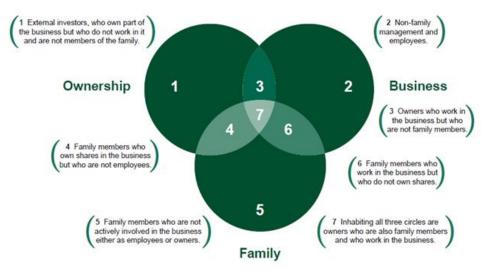


Figure 1: Extended "Bull Eye's model"

Source: Anderson et al, 2005: 138.

In the family businesses two systems are intertwined: family and company. Participation of families in the company could represent on varying degrees, even professional management often is entrusted to carry out the operational management, too. In this case, the system becomes "three-factor" system: family, owners, and management (Figure 2). Among the possible roles in the figure the number 7 indicates the person who is a family member, owner and a manager in one person (Konczosné 2015b). This model is well-known and explained by many experts, such as Pieper and Klein (2012).

Figure 2: Three-circle model of family businesses



Source: Gersick et al, 1997.

Within the family business working in Europe or all over the world, we can find many of foreign family owned companies. In the past few years there has been a considerable interest shown by scholars in the role of culture for the economic vitality and innovation dynamics of economies, it is named "cultural turn" (Gertler, 2004; Tura and Harmaakorpi, 2005, Ablonczyné Mihályka L. and Nádai J., 2010; Szőke J. and Ablonczyné Mihályka L., 2011). The cultural aspect and the internationalization are core elements of the success and development of a family business (Pistrui et al, 2006; Poutziouris et al, 2006).

KPMG

KPMG is a professional service company and one of the Big Four auditors, along with Deloitte, Ernst & Young (EY), and PricewaterhouseCoopers (PwC). One of its branches is located in Hungary. KPMG opened its office in Budapest in 1989, first in the Central and Eastern European region. It has 1000 employees in its member companies – KPMG Hungarian Ltd. provides auditing services, while KPMG Consulting Ltd. provides extensive tax and business advisory services to Hungarian and multinational companies, government agencies and foreign investors. It provides industry-specific services including financial services, telecommunications, energy and utility services, government, infrastructure, real estate and tourism. Its consultants have international competences in the area of energy sector, tourism- and sport development, development and operation of the regional and shared service centres and by the support for private companies.

The KPMG's tax administration centre operates in Budapest which provides administrative support in more than 30 countries in the field of indirect taxation. Special attention is paid to help the customers in the tough economic environment, including accounting, financial restructuring, cash and liquidity management, business efficiency improvement and more efficient taxation systems and procedures. In order to serve the investors better, groups have been specializing in certain countries and languages – such as Israel, Japanese Korean professional German, and groups. (kpmg.com/hu/hu/home/rolunk/kpmg-rol.html, 2017). The **FamilyBusiness** Barometer conducted by KPMG serves as information source related to the family businesses.

Family Business Barometer

In 2013 confidence level, challenges and concerns and investments were investigated. The online questionnaire survey was filled in by 600 European Family Business (EFB) members. 14 European countries were analysed: Austria, Bulgaria, Czech Republic, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Portugal, Spain, the Netherlands and the UK. (mafe.org, 2013)

In June 2014 confidence level, challenges and concerns and investments were surveyed. In June 2014 the online questionnaire survey was filled in by 710 EFB members. 18 European countries were analysed: Austria, Bulgaria, Cyprus, Finland, France, Germany, Greece, Hungary, Ireland, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia, Spain, the Netherlands and the UK. (deutschebank.nl, 2014)

In December 2014 confidence level, challenges and concerns and investments, internalization and family business strategy were appeared. In December 2014 the online questionnaire survey was filled in by 878 EFB members. 18 European countries were analysed: Austria, Belgium, Bulgaria, Cyprus, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Malta, Poland, Portugal, Romania, Spain, the Netherlands and the UK. (europeanfamilybusinesses.eu, 2014)

In 2015 confidence level, challenges, strategic change and the key factors of success were analysed. In 2015 the online questionnaire survey was filled in by 1401 EFB members. 25 European countries were analysed: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Spain, Sweden, the Netherlands and the UK. (familienunternehmer.eu, 2015)

In 2016 confidence level, talent, innovation, strategic change and the key factors of success were appeared in the Barometer. In 2016 the online questionnaire survey was filled in by 959 EFB members. 23 European countries were analysed: Andorra, Austria, Belgium, Croatia, Cyprus, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Luxembourg, Malta, Poland, Portugal, Slovakia, Spain, Sweden, the Netherlands and the UK.

(home.kpmg.com/content/dam/kpmg/at/pdf/presse/Global_EuropeanFamilyBusinessBaromet er_SCREEN.pdf, 2016)

In every year the confidence level and the challenges and concerns were examined and based on these results we can conclude the next core and relevant topics (Table 1).

Edition 4 challenges and investments in confidence level 2013 concerns the future challenges and investments in **2014 June** confidence level concerns the future challenges and investments in confidence level 2014 December concerns the future planning challenges and key factors of confidence level strategic change 2015 concerns success (focus) planning confidence level challenges and key factors of strategic change 2016 concerns success (focus)

Table 1: Themes of the EBB 2013-2016

Source: Based on kpmg.com

In 2013 and in 2014 investments were also contained. In 2015 and in 2016 two other topics were analysed: the planning of strategic change and the key factors of success. All in all, more and more family businesses seemed to be confident according to the future (Table 2). The proportion of family businesses with a neutral outlook is low. The percentage of family businesses which seemed to be negative in this case declined to 2016.

Table 2: Confidence level (2013-2016)

Edition	2013	2014 June	2014 December	2015	2016
Positive	54%	71%	70%	75%	72%
outlook	3470	/ 1 70	7070	7.570	1270
Neutral	34%	21%	25%	17%	21%
Negative outlook	12%	8%	5%	8%	7%

Source: Based on kpmg.com

Table 3 shows that the expansion abroad with investments to other European countries, to Asia, to North America, to South America, to Africa, to Oceania or over the world had quite the same proportion in 2013 and in 2014. In 2013 the distribution of making investment abroad or in the domestic market is approximately one-third to two-thirds. In 2014 the distribution is approximately half-half.

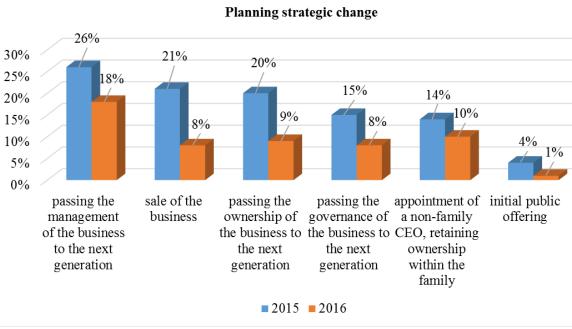
Table 3: Investments in the future (2013-2014)

Edition	2013	2014 June	2014 December
Other European countries	20%	19%	20%
Asia	16%	11%	13%
North America	8%	8%	9%
South America	8%	3%	3%
Africa	7%	11%	6%
Oceania	1%	3%	2%
All over the world	3%	4%	0%
Domestic market	37%	41%	47%

Source: Based on kpmg.com

Analysing and comparing the planning of strategic change in 2015 and 2016 (Figure 3) we can conclude that in all segment is shown the reducing of their importance, such as passing the management of the business to the next generation, sale of the business, passing the ownership of the business to the next generation, passing the governance of the business to the next generation, appointment of a non-family CEO, retaining ownership within the family and initial public offering.

Figure 3: Planning strategic change (2015-2016)



Source: Based on kpmg.com

PricewaterhouseCoopers (PwC)

Nowadays PwC is one of the world's leading auditing and economic advisory companies since they have been collecting all the experience they have since 1854. They use this knowledge from the 158 countries and combine them with their local expertise.

Its creed

- They build trust: they believe that the most important is a trusted relationship according to the business.
- They create value: it is determined by the customers.
- They form the environment: as a leading audit and advisory firm, it is especially important for them to be active actors and opinion leaders in the domestic economy.
- They are proud of what they represent: as leaders and consultants, they also consider it
 extremely important to help their clients develop ethical and sustainable business
 models.

Global Family Business Survey

In 2012, the topics were skills, scale and succession. In 2014, 4284 semi-structured telephone and online interviews were made with the key decision makers in London, which involved more than 40 countries around the world. This report and analysis take into account 2,378 respondents' responses. The turnover of the participating companies was between \$ 5 million and \$ 1 billion. Interviews were on average between 20 and 35 minutes. The interviews were conducted in Austria, Austria, Belgium, Brazil, Canada, Bulgaria, Hungary, Latvia, Poland, Slovakia, China, Denmark, Germany, Hong Kong, Malta, Mexico, Jordan, Oman, Saudi Arabia, United Arab Emirates, Japan, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Turkey, United Kingdom, United States, Nigeria, and Peru (PwC.com/hu/hu/rolunk.html, 2017).

In 2016, among the first topics was the generational transition of the companies. The founders, the next generations and professional CEOs were asked. They made a conversation about the global megatrends such as digital and globalisation and the challenges of 'keeping it in the family'. "The challenge is in the middle: having a strategic plan that links where the

business is now to the long term and where it could be. This is what we are referring to as the 'missing middle'. Family firms are ambitious: they want to grow and ensure the long-term success of their business, but it is clear that many of the issues they face derive from a lack of strategic planning. Some are doing this, and doing it well, but in our experience, a much higher proportion is so absorbed in the everyday that longer-term planning is neglected. Family firms may lack the skills to develop such a plan and some may assume that 'thinking in generations' means that the medium term will somehow look after itself. Family firms remain a vital part of economies across the world contributing the bulk of GDP in many territories. We're committed to working with family firms and helping them making an even bigger contribution to growth and prosperity." (PwC.com/gx/en/services/family-business/family-business-survey/download.html, 2016)

Family Business Network

The Family Business Network (FBN) is a not-for-profit international network which is operated by family businesses, it works for family businesses, which aim is to strengthen success over generations. FBN International Network was developed in 1989. Today it has over 10500 individual members from over 3200 family businesses from 60 countries (fbn-i.org/who-are-we/, 2017).

Code of Conduct (fbn-i.org/a-safe-place/, 2017)

- Open communication and trust
- Active participation by members
- In a confidential atmosphere the members are willing to share experiences and insights
- Discussions and debates always appear in a respectful and professional behaviour
- The network is a forum to learn during the exchange of ideas, experiences and information and not a buying-selling place

Governance (fbn-i.org/governance/, 2017)

The board members of the FBN are:

- 1) general assembly
- 2) board of directors
- 3) nomination committee
- 4) next generation leadership team
- 5) executive director

Family Business Network – Hungary

Responsible Society for Hungarian Family Businesses (shortly FBN-H) was founded in November in 2009 by Hungarian successful family entrepreneurs. (fbn-h.hu/content/azegyesulet-alapadatai, 2017)

Governance (fbn-h.hu/content/az-egyesulet-alapadatai, 2017)

- 1) chairman: László Bárány
- 2) co-chairman: Dávid Boross
- 3) presidency members: Dr Nikolett Havass, Tamás Kürti, Antal Tatár
- 4) members of the board: Zsolt Kalocsai, Tamás Rózsa

Their Mission (fbn-h.hu/content/az-egyesulet-celja, 2017)

It supports the economic and social value creation of long-term responsible national family businesses with the focus on developing family-owned and in-house co-operation between generations of owner families. The support is provided through training, research, value and interest representation, international and regional cooperation areas.

What is a family business, company? (fbn-h.hu/content/az-egyesulet-tagjai, 2017)

In 2009 the EU selected a definition from 90 types of concepts: Family enterprises – regardless of its size – are those companies in which the owner and at least one other family member is involved in the management and the ownership share of the family provides a decisive role for the family in the decisions related to the ownership. FBN-H accepts the European Union's concept.

What does the association offer to its partners? (fbn-h.hu/content/mit-nyujt-az-egyesulet-a-partnereinek, 2017)

The association offers co-operation with partners who can positively influence the economic life of their family businesses and help them achieve their goals.

They create an exclusive partnership in the area of consulting but also in all other areas where families and their businesses claim it. Their partners thus become a qualified, closed circle of a prestigious organization and can establish a good relationship with the membership in the long term. The partners will be invited to a large number of events and will be able to communicate with their FBN-H relationship as a reference.

What does the association do for its members? (fbn-h.hu/content/mit-nyujt-az-egyesulet-a-tagjainak, 2017)

It organizes programs regularly for members of the association where it provides the opportunity for personal exchange.

For the Annual Association Conferences specialists, partners and decision-makers will also be invited. NextGen programs are specifically designed for young entrepreneurs where true friendships are born and fresh experiences are exchanged. During the factory visits members and partners can get acquainted with the hosts' workshop secrets and of course each other. They make and organize presentations and workshops for the members regularly. They offer targeted training and they write publications in the topics they consider important.

Summary

Analysing the activity and researches of the international and national organizations which are specialized for supporting family businesses we can conclude that there are large effort for developing FB success. The trends and key issues show that one of the core issues which influencing the family businesses' future is the passing on or inheriting the ownership. Many of FBs are facing with the question, following the retaining of the present owners what could be the most appropriate way for surviving:

- whether passing the management of the business to the next generation within the family,
- or passing the ownership of the business to the next generation within the family,
- or passing the governance of the business to the next generation within the family,
- or sale the business,
- or appointment a non-family CEO.

Both the networks with other FBs and with the costumers have to be established on mutual trust. The Family Business Network with events, training and forums, and other companies – such as KFMG and PwC - with the regular surveys serve the cause of family businesses development.

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