

Small family owned business

Family



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My assignment for the presentation on (small)familyowned businesses was to research and share an organized piece on the international studies of the subject. After several days of searching the internet for appropriate studies, I had gathered enough data to put together a three part report. The three parts consisted first off of an intro, which I believed was enough to be considered its own part, just because of the extremely interesting point that family owned businesses are such a widespread commonality.

Second came the bulk of my research, the description of small family owned businesses under the laws of different countries, specifically those belonging to countries in Europe. Last but not least, I followed up with the importance of small family owned businesses' impact on the overall economy of Europe, and how they applied. When you think of a small family owned business, you usually think of at least one local business you have known and have used your whole life whether a gas station, kebab imbiss, cafe, restaurant, or car dealership, etc. However, think about if everyone in the world named at least one such business.

Many people would name the some of the same enterprises, but now you can imagine just how many small family owned businesses there are across the world. Because there are so many, not many reports exist that can contain the entire scope of every kind in every country, therefore, my report covers information regarding largely to european studies. Across Europe and in the United States, there is no widely accepted definition or legal description of a " family business", however there are many criteria that if met by a small business, can be used to classify a business as such.

Although each country has its own list of indicators, some countries use “common knowledge” to decide what constitutes a family business. This means that most countries simply use perception to differentiate a family business from a non-family business based on the interrelationship between family and enterprise that can obviously be observed like the active involvement of family members in the enterprise’s everyday activities.

Few countries legal codes actually mention regulations in which small businesses are referred and partially defined, but can vary easily from each other such as the Austrian regional agricultural legislation stating “a family business defined as any autonomous economic entity regularly and sustainably providing for the farming family’s income” to the Italian Civil Code which describes family businesses as “enterprises in which members of the family unit work and have ownership.

For most cases, instead looking for derelict, briefly mentioned bits of code referring to family business, a group of common “soft” and “hard” criteria has been identified. Soft criteria includes:

- o family relations affect the assignment of the management
- o family indirectly runs the company
- o “major family influence/dominance” of the management (in terms of strategic decisions)
- o “significant proportion” of the enterprises’ senior management
- o “most important decision” made by the family
- o “family control” of the management of the enterprise at least 2 generations having had control over the enterprise

Hard criteria includes more legitimate and quantifiable proof such as:

- 1 CEO has to be a family member
- 1 family member is actively involved in the operative management of the company
- More than 1 family member in the management
- o CEO and at least 1 management team

member stems from the family. At least 2 directors/board members stem from the family. At least 3 board or staff members stem from the family or Majority of the management team stem from the family

Or, in the case of Denmark, a family has control over the company: if it has 50 % of the shares, or if it has 50 % of the shares and a member of the family is the CEO In regards to impact on economy, although small family owned businesses seem like only a small part of the world economy, they actually make up quite a large percent of all enterprises. It is estimated that about 70-80% of businesses across Europe are family businesses, and of those, about 50% are small family owned businesses.

Over all, small family owned businesses also contribute to about 40-50% of employment in Europe. The following table(#3) shows elements of the definition of family business by country, gathered by several international studies on family business. What the previous table shows, is cross-national (European) minimum criteria for the ownership, control, or management of a company by a family according to FBN International 2007, Les Henokiens, European Group of Owner managed and Family Enterprises (GEEF), and PriceWaterhouseCoopers LLP. 2007.

Under FBN International 2007, and also according to the European Group of Owner managed and Family Enterprises, ownership is described as the direct or indirect majority of votes held by the founders, spouses, parents, children, heir, or persons having acquired the shares; control/management is described as at least one representative of family or kin present in the management. In contrast to those studies, Les Henokiens suggests that in order to hold ownership, a company must own the majority of shares for <https://assignbuster.com/small-family-owned-business/>

more than two hundred years; in regards to control/management the enterprise must be managed by a direct descendant of the founder.

Another contrasting opinion to FBN International 2007 and the European Group of Owner managed and Family Enterprises, but perhaps not as extreme as Les Henokiens, is the study performed by PriceWaterhouseCoopers LLP. 2007 which defines ownership as simply at least fifty-one percent of shares held by a family or related families, and control/management as a majority of the senior management team and the owners having a day to day responsibility for the management of the business.

In conclusion, we can see that (small) family owned businesses are a huge contributing factor to the economy worldwide, but still remain a mostly ignored topic by most countries and their legal systems, which is interesting because one would think something so important would be more tightly regulated. I would like to thank my hard working group, and Ms. Fink for the opportunity to present this topic. Works Cited (I have numbered my sources to make identification easier within the report.

Worked Cites

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