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## TEXTS ADOPTED

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### **P8\_TA(2015)0290**

#### **Family businesses in Europe**

##### **European Parliament resolution of 8 September 2015 on family businesses in Europe (2014/2210(INI))**

*The European Parliament,*

- having regard to Article 17 of the Charter of Fundamental Rights of the European Union,
  - having regard to the criteria set by the Commission in 2003 for defining small and medium-sized enterprises (SMEs),
  - having regard to the Commission’s ‘Entrepreneurship 2020 Action Plan’ (COM(2012)0795),
  - having regard to the 2009 Report of the Group of Experts for the European Commission ‘Overview of family-business-relevant issues: research, policy measures and existing studies’,
  - having regard to its resolution of 5 February 2013 on improving access to finance for SMEs<sup>1</sup>,
  - having regard to its resolution of 15 January 2014 on reindustrialising Europe to promote competitiveness and sustainability<sup>2</sup>,
  - having regard to the Commission communication entitled ‘Think Small First’: A ‘Small Business Act for Europe’ (COM(2008)0394),
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on Industry, Research and Energy and the opinions of the Committee on Employment and Social Affairs and the Committee on Women's Rights and Gender Equality (A8-0223/2015),
- A. whereas property is protected under Article 17 of the Charter of Fundamental Rights of the European Union;

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<sup>1</sup> Texts adopted, P7\_TA(2013)0036.

<sup>2</sup> Texts adopted, P7\_TA(2014)0032.

- B. whereas family businesses in general have in the past made a large contribution to a surge in the European economy and play a significant role in economic growth and social development, in reducing unemployment, particularly among young people, and in investment in human capital; whereas the multi-generational character of family businesses reinforces the stability of the economy; whereas family businesses usually play a vital role in regional development, in terms of employment, transmission of know-how and regional organisation; whereas family-business-targeted policies could encourage entrepreneurship and motivate European families to start their own family businesses;
- C. whereas, according to the Ernst and Young Family Business Yearbook 2014, 85 % of all European companies are family businesses and these account for 60 % of jobs in the private sector;
- D. whereas family businesses are of various sizes, which exposes them to different difficulties and problems;
- E. whereas, while most family businesses are SMEs, family businesses can be small, medium-sized or large, listed or unlisted; whereas they have been widely equated to SMEs, neglecting the fact that there are also very large multinational corporations that are family businesses; whereas in some EU Member States a few family businesses account for a large share of the total turnover of all businesses and thus make a significant contribution to job retention, including in times of crisis, to creation and growth and to the economic success of the country concerned; whereas many family businesses that no longer meet the definition of SMEs, but are also far from being major corporations, are ineligible for specific funding opportunities and some administrative exemptions; whereas this inevitably leads to unnecessary red tape, which is a great burden, especially for these mid-cap family businesses;
- F. whereas a considerable number of family businesses are active in more than one country, meaning that the family business model has a transnational dimension;
- G. whereas, direct taxation and succession law are Member State competences, and whereas some Member States have adopted measures to support family businesses and address their concerns;
- H. whereas family businesses are perceived as exhibiting high integrity and values that guide their business operations, and introduce high standards of corporate social responsibility towards their employees and the environment, which also creates a favourable environment for work-life balance; whereas family businesses usually guarantee that knowledge and skills will be passed on and in some cases play an important role in social links;
- I. whereas in agriculture family farms are the most common business model and make a major contribution to the prevention of rural depopulation, and in many cases provide the only source of employment in the regions of Europe where development is lagging behind, particularly in less industrialised regions; whereas family farms can offer a template for success because in general they put the principle of the environmentally and socially sustainable circular-flow economy into practice, and because in that context women as leaders contribute not only entrepreneurial thinking, but also specific communication and social skills;

- J. whereas the Commission's group of experts on family businesses completed its work more than five years ago, and no new European initiative has been launched since then at EU level; whereas there is still a lack of research and data at national and European level to understand the special needs and structures of family businesses;
- K. whereas there is no legally binding, concrete, simple and harmonised Europe-wide definition of 'family business';
- L. whereas it is impossible, owing to the lack of a definition, to gather comparable data in the EU Member States in order to draw attention to the special situation, needs and economic accomplishment of family businesses; whereas this lack of reliable and comparable data can hinder policy decision-making and may mean that the needs of family businesses are not being met;
- M. whereas family businesses, beyond their economic significance, also play an important role in social terms;
- N. whereas not all 28 EU Member States have interest group associations or other structures that specifically cater for the needs of family businesses;
- O. whereas EU-level efforts in stimulating entrepreneurship and start-ups should be enhanced and complemented with greater consideration for facilitating and stimulating the long-term survival of family businesses;
- P. whereas the family business model is unevenly spread across the Member States; whereas a significant share of family businesses in Europe have a transnational dimension and carry out their activities in different Member States;
- Q. whereas in the EU women earn, on average, 16 % less per hour than men and there is a dearth of women in high-level and leadership positions, and whereas the labour practices and wage systems applied to men are not the same as those applied to women, making it more difficult for the latter to be financially independent, participate fully in the job market and achieve a work-life balance;
- R. whereas women often play an invisible role, or act as figureheads, and do not have their job or salary status appropriately recognised, which has serious repercussions in terms of social security contributions, pensions and welfare entitlements and also in terms of recognition of their skills, as demonstrated by the data on the gender pay gap and pension gap<sup>1</sup>;

### ***Importance for the economy***

1. Emphasises that family businesses tend to demonstrate a high degree of social responsibility towards their staff and manage resources actively and responsibly, and that they generally take a sustainable and long-term approach to the economic future of the business (by acting as 'honourable merchant', responsible owner or steward) and thus make an important contribution both to their local communities and to Europe's competitiveness, and create and maintain high-quality jobs;
2. Stresses that, because of their history, family businesses are strongly rooted in a particular location and thus also create and maintain jobs in rural and less-favoured areas,

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<sup>1</sup> [http://ec.europa.eu/justice/gender-equality/files/gender\\_pay\\_gap/140319\\_gpg\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/gender_pay_gap/140319_gpg_en.pdf)

contributing to the fight against the process of ageing and depopulation by which many areas in the EU are affected; calls on the Commission and the Member States, therefore, to provide the necessary cost-efficient infrastructure in order to ensure the competitiveness, renewal, growth and sustainability of such businesses, in particular micro-entities and start-ups, and to facilitate cross-sectoral and cross-border collaboration, thus helping them to grow and internationalise;

3. Recognises that family businesses are the single biggest source of employment in the private sector and that therefore what is beneficial to continuity, renewal and growth in the family business sector is conducive to continuity, renewal and growth in the European economy;
4. Notes that highly specialised family businesses in particular play an important role as suppliers to, and innovators for, larger companies and that, given their long-term and intergenerational approach to business, they provide the companies they supply with material security and thereby make a significant contribution to economic growth;
5. Reminds the Commission of the fact that the majority of family businesses are SMEs<sup>1</sup> and that applying the 'think small first' principle is therefore essential in order to better adapt EU legislation to the realities and needs of these businesses, and to enable them to benefit from funding programmes and a reduction in red tape;
6. Notes that family businesses can play an important role in encouraging minorities and under-represented groups to participate in their local economies;
7. Points out that the higher level of trust between family members makes family businesses very flexible and able to adapt quickly to changes in the eco-social environment; at the same time, operating in niche markets for long periods of time enables family businesses to excel in identifying new opportunities and innovation;

### ***Funding***

8. Notes that family businesses often have a significantly higher equity ratio than non-family businesses and that this high equity ratio results in the economic stability of such businesses and of the economy as a whole, while at the same time providing scope for further investment in the business, which should not therefore be restricted;
9. Calls on the Member States, with this in mind, to ensure that national rules on the taxation of inheritance and gifts, on debt and equity and on corporate taxation support, rather than discriminate against, equity financing, which is so vital for family businesses; recalls that direct taxation and succession law are Member State competences; calls on the Member States, therefore, to examine the debt bias within their tax codes by assessing its impact on the financing structure of companies and the level of investment, and to ensure equal treatment of equity financing as compared to debt financing in order not to impede the succession of ownership and the long-term prospects of family businesses; calls on the Commission and the Member States to examine any tax-driven discrimination vis-à-vis equity financing against the background of fair competition;

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<sup>1</sup> Final report of the European Commission's expert group "OVERVIEW OF FAMILY-BUSINESS-RELEVANT ISSUES", November 2009.

10. Stresses that ensuring the long-term security of corporate funding has become a key competitive factor; emphasises, in this connection, the importance of internationally stable financial market structures; calls on the Commission to ensure that it does not create any unnecessary burdens for businesses as part of financial market regulation;
11. Calls on the Commission to consider extending the beneficiaries of all existing instruments for SMEs and/or entrepreneurs, particularly COSME, to mid-cap family businesses;
12. Underscores that because of the financial crisis and the adverse economic cycle many of the functions of family businesses are underfinanced and that it is important for family business to have open and easy access to alternative sources of financing;
13. Notes in this context the importance of promoting alternative forms of lending to family businesses, such as credit unions;

### *Challenges*

14. Notes that 35 % of those companies that do not invest in foreign markets fail to do so because of their lack of knowledge of those markets and lack of experience with internationalisation; calls on the Commission and the Member States, therefore, to provide smaller family businesses in particular with information about opportunities for internationalisation via the SME Internationalisation portal and the European Cluster Collaboration Platform (ECCP) and ensure that they have access to a better exchange of experience and best practice, including possibilities of internationalisation via the internet; calls on the Member States, furthermore, to provide support services for businesses that intend to invest internationally, for example by providing them with information or export credit guarantees, removing trade barriers and promoting specific education for an entrepreneurship and business family culture;
15. Notes that increased internationalisation of family businesses provides more opportunities for economic growth and increased job creation; calls on the Commission and the Member States, therefore, to provide smaller family businesses with assistance to enable them to make better use of the digital infrastructure;
16. Recognises that the fiscal, legal and administrative environment in which family businesses (and owner-managed businesses) operate is defined by the combined effect of corporate legislation and private law;
17. Notes that 87 % of family businesses are convinced that maintaining control of the business is one of the key factors of success<sup>1</sup>; notes that, according to the Commission's 'Entrepreneurship 2020 Action Plan'<sup>2</sup>, the transfer of business ownership, together with the transfer of management from one generation to the next, is the greatest possible challenge facing family businesses;
18. Notes that small and medium family businesses are continuously challenged by a need for innovation and for attracting the right skills and talent; calls on the Commission and the Member States, therefore, to provide smaller family businesses with incentives to take risks for growth and incentives to implement staff training and to access external knowledge;

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<sup>1</sup> European Family Business Barometer, June 2014.

<sup>2</sup> COM(2012)0795.

19. Calls on the Member States to simplify administrative procedures and taxation systems, taking particular account of the specific challenges of small and medium-sized enterprises and family businesses;
20. Urges the Commission and Member States to take action to develop digital entrepreneurship and digital skills in order for family businesses to take full advantage of digital technologies;
21. Calls on the Member States, therefore, to improve the legal framework for the transfer of family businesses and create special financing instruments for transfers and thus prevent liquidity shortages so as to ensure the survival of family businesses and prevent distress sales; calls on the Commission and Member States to promote family-business-specific education in business transfers, governance structures, owner strategies and innovation strategy, in particular in countries where, for historical reasons, the family business concept is not as well established, which would contribute to their long-term success, especially in terms of business transfer;
22. Underscores the need for family businesses to have a direct link with educational activities that keep them constantly informed of state-of-the-art practices of good business management; stresses in this regard that family businesses make a vital contribution to the success of vocational training reforms and to increasing the number of apprenticeships; notes that, in the long term, well-functioning vocational-training systems could be instrumental in combating the skilled-worker shortage and youth unemployment; points out that the Commission and the Member States should foster an exchange of best practice with regard to how vocational training systems could provide the best possible environment for family businesses to invest in apprenticeships;
23. Notes the need to address other challenges that family businesses face, such as difficulties in finding and retaining a skilled workforce, and the importance of strengthening entrepreneurship education and family-business-specific management training;
24. Highlights the importance of the EU-funded training schemes for small business entrepreneurs, which allow family business owners to adapt their companies to a fast-changing environment driven by increasing global economic integration, the appearance of new technologies and a focus on a low-carbon and greener economy;
25. Notes that promoting entrepreneurship in schools and other educational settings is of key importance to developing more entrepreneurial mindsets; notes further that education should include specific family-business issues such as ownership, succession and family governance, together with more general information such as the importance of innovation as a means of reinventing businesses;
26. Urges the Member States to take into account the formal and informal occasional and invisible work carried out by family members, including in family businesses, and encourages Member States to provide a clear legal framework;
27. Stresses that family businesses' contribution to innovation could be enhanced by promoting their participation in private-public partnerships and clusters and by fostering their collaboration with research institutions;

## ***Outlook***

28. Calls on the Commission, in the context of better regulation, to undertake an analysis of existing legislation which impacts on family businesses in order to identify problems and barriers to growth;
29. Calls on the Commission to commission regular and adequately financed studies that analyse the importance of ownership for the success and survival of a business and highlight the specific challenges facing family businesses, and to propose to the European Parliament and the Member States a statistically workable Europe-wide definition of 'family business' – developed together with Eurostat –, taking into account the different circumstances in the Member States; calls on the Commission, furthermore, to use the existing "task force small and medium-sized enterprise data" to collect enough data, including on family businesses in all the Member States, to allow a comparison of the situation and needs of family businesses of different sizes, as well as a comparison of family businesses and non-family businesses, to promote information and exchanges of examples of know-how and good practice throughout the EU, for example by establishing a family business contact point at the Commission and by making the best use of programmes such as "Erasmus for Young Entrepreneurs, and to allow for more targeted assistance;
30. Calls on the Commission to conduct an impact assessment of the extent to which a broadening of the European SME definition from 2003 would be possible, to include, in addition to purely quantitative criteria, qualitative criteria that also take into account ownership of a company, bearing in mind the interdependence of ownership, control and management, the fact that risk and liability are borne solely by the family itself, the social responsibility of a company and, generally, the personal aspect of running a business, also in relation to the participation of employees in the management of business activities, and the consequences this could have for family businesses, for example with regard to state aid and the eligibility of such businesses;
31. Calls on the Commission in the meantime, as part of its regulatory impact assessment, to carry out a feasibility study of a 'family business test' (for policies concerning, for example, property, governance structures or privacy) modelled on the SME test, and to introduce it as soon as possible, should the study prove its feasibility, in order to be able to determine the effect of certain legal acts on family businesses in advance and thereby avoid unnecessary red tape and burdensome hurdles for family businesses, focusing particularly on the combined effects of company law and private law;
32. Observes that disparities in, for example, tax legislation, subsidy schemes or the implementation of European legislation in neighbouring countries can cause problems in the border region for entrepreneurs, for example those with family businesses; calls on Member States, therefore, to review proposed national legislation and the proposed method of implementation of European legislation to ascertain the impact on entrepreneurs, such as those with family businesses, in border regions;
33. Calls on the Commission to set up, and define the remit of, an internal permanent working group that specifically addresses the needs and characteristics of family businesses, regularly reports to Parliament and the Member States, encourages exchanges of best practices between Member States' family business organisations and disseminates guidelines and standard texts and solutions for family businesses on overcoming their specific problems; calls also on the Commission to create a one-stop shop for businesses which can act as a contact at European level for family businesses and family business

interest groups and to assist in specific issues relating in particular to European legislation and access to EU funding;

34. Highlights the entrepreneurial role of women in family businesses; calls on the Commission to launch a study on the presence of women in family businesses in Europe and to evaluate the opportunities offered by family businesses for empowerment of women, equal opportunities and work-life balance; stresses the need to protect women's right to succession in family businesses, on a par with men, by promoting a culture of equal rights for men and women which fosters female entrepreneurship in family businesses, including in leadership positions; emphasises also that family businesses should comply with the legal provisions relating to social insurance, pension contributions and safe working conditions standards;
35. Reminds the Member States and local and regional authorities once again of the importance of there being sufficient provision of high-quality and affordable care services for children, the elderly and other dependent persons, of tax incentives for companies and of other compensation to help women and men working as employees, on their own account or as managers in family businesses to balance their family and work commitments;
36. Stresses the need for separate and duly remunerated periods of maternity, paternity and parental leave which meet the needs of employees, the self-employed and business employers;
37. Calls on the Commission and the Member States to support the European Network of Female Entrepreneurship Ambassadors and the European Network of Mentors for Women Entrepreneurs in order to raise their profile;
38. Notes that, because land is owned, family farms are rooted in a particular location; calls therefore on the Commission and the Member States to ensure that the survival of family farms is not jeopardised by, in particular, excessive red tape; draws attention to the important role which women play in running family farms, and calls on the Member States to support business training aimed specifically at women farmers, in order to strengthen women's involvement in family farming even further;
39. Calls on the Commission to strive to strengthen entrepreneurship throughout the EU, keeping in mind the importance of the family businesses in the EU economy, and to create an environment for business excellence;
40. Calls on the Commission to draw up a communication as a matter of urgency analysing the role of family businesses with a view to boosting the competitiveness and growth of the EU economy by 2020, and to produce a road map listing the measures likely to strengthen the economic environment and development of family businesses in the EU and raise awareness on the family-business-specific challenges to be addressed and to improve their competitiveness, international outlook and job creation potential;

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41. Instructs its President to forward this resolution to the Council and the Commission.