

# AECM Seminar Porto 22 – 25, 2016

## “The transfer of family businesses”



Thursday,  
23 June 2016

### Panel 3: “The transfer of family businesses: an international perspective”



**aecm**  
EUROPEAN ASSOCIATION OF GUARANTEE INSTITUTIONS

Founding President



**Pablo Pombo**

Secretary General of the Ibero-American Network of Guarantees (REGAR)

International consultant of guarantee systems (CGSs)

Member of the Task Force on guarantee systems (CGSs) of World Bank

Professor of the University of Cordoba (Spain)

# Introduction by the panellists themselves



**“The transfer of family businesses: an international perspective”**

- ✓ **PhD in Economics and Business Sciences. Associate Professor at University of Cordoba (Spain).**
- ✓ **35 years in the sector of guarantee**
- ✓ **President and CEO of a Spanish SGR (1981-1996)**
- ✓ **President of CESGAR (1991-96) and Founding President AECM (1992-96)**
- ✓ **Technical Secretary REGAR - 19 consecutive annual forums**
- ✓ **Lecturer and researcher, Award UNICAJA of economic research from 2007. Panelist and speaker lectures about 33 countries.**
- ✓ **International guarantee systems (CGSs) consultant since 1996 with projects developed in Latin America for national and multilateral institutions and international cooperation (AECID; GTZ; COSUDE, FUNDES, PNUD, IDB, AFD, WB, UE, etc.)**
- ✓ **Spanish order of civil merit (1995)**



# Iberoamerican Forum guarantee systems of REGAR (Iberoamerican Network Guarantee Systems)

## XXI Iberoamerican Forum guarantee systems, 20-21 october 2016, Santiago de Chile



<http://foroiberoamericano.redegarantias.com>

## XX Iberoamerican Forum guarantee systems 24 - 25 of september 2015, Lima (Perú)



24-25 septiembre 2015 Lima, Perú



In six panels of this forum XX contributed 7 moderators, 38 speakers, 300 participants accredited from 19 countries, of which 160 international along with 140 national, guarantee schemes and other related public and private Latin American representatives. This year, in addition to the six panels, have developed three workshops which has involved the intervention of 10 moderators and 20 panelists of different geographical areas.

## XIX Iberoamerican Forum guarantee systems, 17-19 of September 2014, Valladolid – Madrid (Spain)



8 moderators, 40 panelists, 500 participants from 22 countries, of which 135 international together with national 365, representatives of public and private guarantee systems, and other authorities of Latin America. This year, in addition to four panels, we have developed four working groups that has involved the intervention of 4 moderators and a few 25 panelists in different geographical areas.



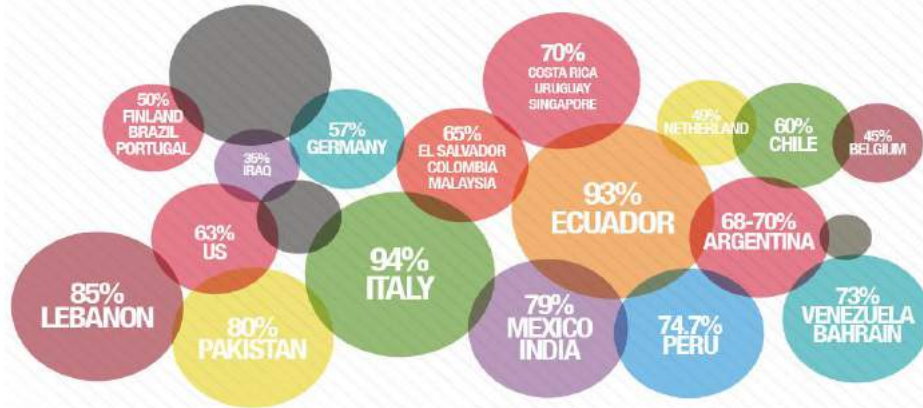
## XVIII Ibero-American Forum guarantee systems, 25 to 27 September 2013, Rio de Janeiro (Brazil)



25 a 27 de Setembro de 2013  
Rio de Janeiro - Brasil



# The family business (F.B.) in the international context



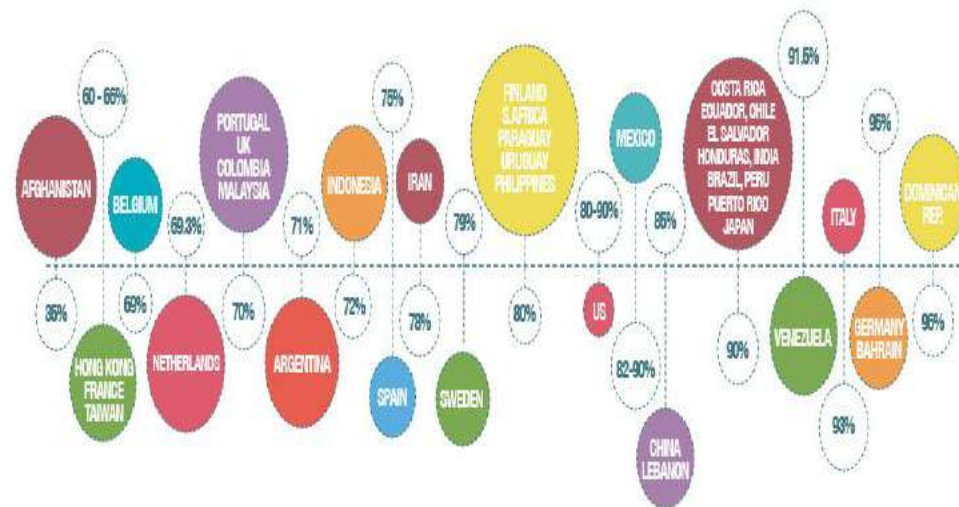
## The position of family businesses in the total GDP is very representative:

- In countries like Italy and Ecuador the weight of F.B. is consolidated around to 90% of GDP.
- Latin America countries are located generally between 65-75% of total GDP.

Percentage of Family Business Contribution to National GDP (Fuente: FFI, disponible en: <http://www.ffi.org/page/globaldatapoints>)

## The role of family businesses in the private sector.

- European countries are around 65-79% generally. This proportion is surpassed by Latin American countries with a 82-90%.



Percentage of Family Business in relation to the private sector (Fuente: FFI, disponible en: <http://www.ffi.org/page/globaldatapoints>)

# “The transfer of family businesses”: an old problem

## Resistance to retire

### WHAT AGE SHOULD RETIRE?

– Before 55 years	14,1 %
– Between 55 and 65	13,7 %
– After the 65	10,6 %
– Never	48,9 %
– I do not know	12,7 %



Source: Dyer, 1986

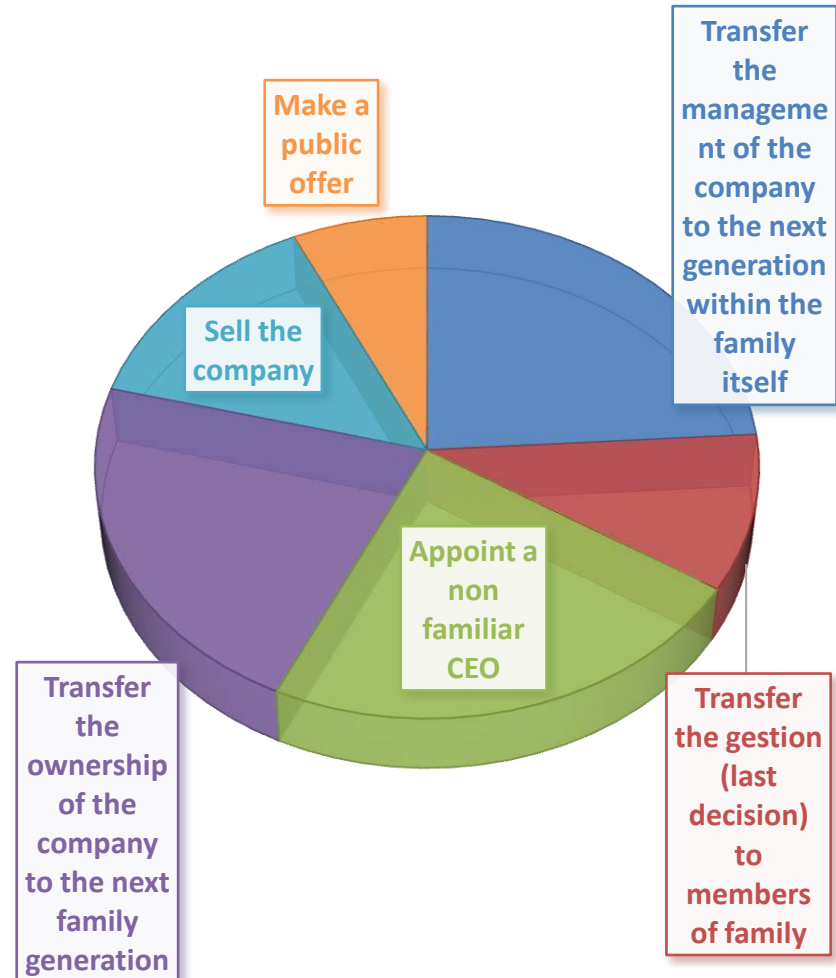
# “The transfer of family businesses”

The succession is a fact that really taken into account in family businesses. According to the data specified in the BAROMETER OF FAMILY BUSINESS (JANUARY 2015) BY KPMG, we can highlight some important items:

- ✓ 82% of F.B. Global surveyed considered "very important" to prepare and train a successor that continue the activity of the enterprise.
- ✓ 24% of F.B. plan to transfer the management of the company to the next generation within the family itself. 22% intend to transfer the ownership of the company to the next family generation and 23% want to appoint a non-family CEO, while maintains ownership and control of it within the same family. The remaining respondents (21%) considers options like selling the entire company, make a public offer ...

**In conclusion, 79% of F.B. want to transmit the company to family members and 21% plan to do to unfamiliar people.**

## DECISIONS OF THE F.B. IN RELATION TO TRANSMISSION



# The succession of family businesses

*"Succession is one of the key processes for continuity, development and good functioning of a family business"*

- The 79% of F.B. plans to transmit management company maintaining the same family.
- **16% of F.B. has a family succession plan consolidated.**

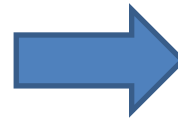
Source: Family Business survey 2015 by PwC

*"The succession of family businesses involves more problems than non-family transmission firms, because some complexities inherent in the process are added, such as emotional stress in the family" :*

- ✓ Inadequate successions in the company.
- ✓ Demotivation of family members or non-family employees.
- ✓ Little commitment of non-family employees.
- ✓ Inadequate communication.

# SOLUTIONS TO PROBLEMS OF TRANSMISSION

- **Do not confuse the business with family. You must separate the family relationship of labor.**
- **Public aid for transmission and succession of family businesses.**
- **Establishment and exercise of family business policies.**



**Tool: the family protocol.** Set of principles and rules arising from the dialogue and consensus, which regulate the relationship between family and business, and are experienced by a business family





# POLICIES OF THE FAMILY BUSINESS IN THE WORLD

## LABORAL POLICIES

- Set the terms and conditions of family employment: conditions of entry, residence ...
- Supervisory relationships.
- Continuing training policy.

## TECHNICAL ASSISTANCE POLICIES

- Related procedures with the family business.
- Training policy board members of the family business.

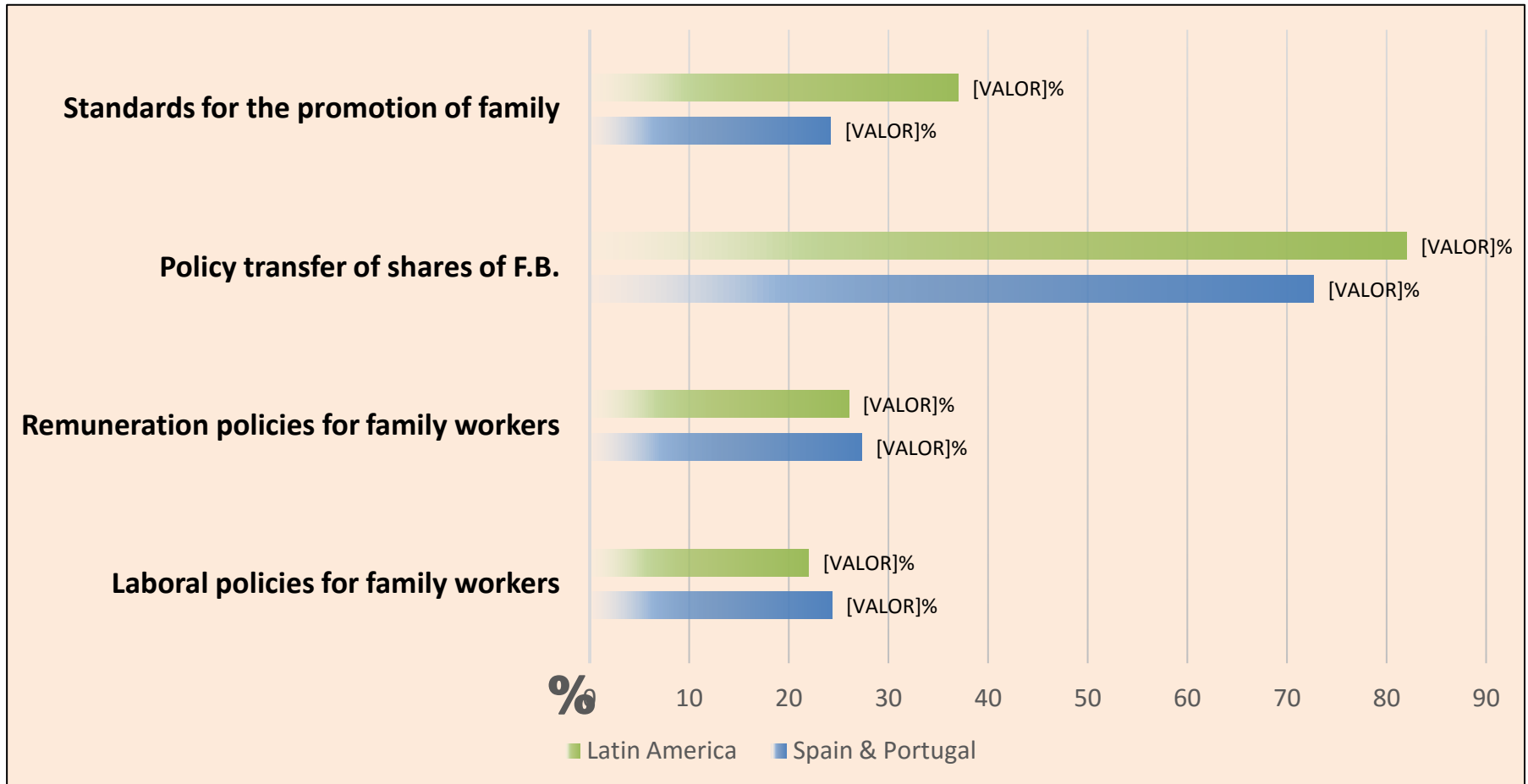
## TECHNICAL ASSISTANCE POLICIES

- Establishment of basic salaries and allowances for family and non-family members.

## FINANCIAL POLICIES

- Dividend distribution among family members.
- Management of family accounts.

# POLICIES IN SPANISH-PORTUGAL AND LATIN AMERICAN FAMILY BUSINESS



Source: *Investigación sobre la EF en Latinoamérica, Family business survey (IESE insight, 2011), IFC Family Business Governance Handbock (IFC, Banco mundial) y Familias empresarias y grandes empresas familiares en América Latina y España (fundación BBVA)*

# CONCLUSSIONS

- ✓ The aspect that most concerns the management of family businesses in the future is the succession of the company.
- ✓ The large majority of family businesses (79%) intend to transfer the ownership and management of the company preferably members of the family.
- ✓ **16% of F.B. has a family succession plan consolidated.**
- ✓ 47% of family businesses considered the successor to prepare in advance and keep the business are the most important elements for the company. The most important aspect considered when choosing a successor is capacity.
- ✓ The half-life of family businesses has been raised in recent years; thanks to factors such as the development of international markets.

# TOPICS OF DISCUSSION

- ✓ Levels or status in family businesses Are there also classifications in family businesses: sizes, types, etc? Are they really useful classifications made for companies? A classification should be done taking its characteristics?
- ✓ Is the transmission is a universal problem? Do you have the same importance of some territories to others?
- ✓ Transmission, is the same problem or the same magnitude in family businesses according to size?
- ✓ Does the family protocol is conveniently identified? What size companies are more focused? How long it is to become generalized? | There are good practices identified? Are you being used? With that levels of efficiency? It is the most efficient tool for transmission?
- ✓ Is well diagnosed the problem of transmission in public policy. What territories is more or better identified?
- ✓ Give a loan to a F.B. without family protocol?

# TOPICS OF DISCUSSION



**Invitation to the  
public to ask  
questions**

**“The transfer of family businesses”**

**Panel 3: “The transfer of family businesses: an international  
perspective”**