



VESTA

Vocational Educational Solutions and Tools for fAmily enterprises

POLICY RECOMMENDATIONS

N. 2020-1-IT01-KA202-008391

Intellectual Output 4





About this document:

Evidences extrapolated from the transnational needs analysis carried out at national and pan-European level, plus the formal and informal consultation with stakeholders throughout implementation of the project, confirmed the tangible margin for further policy intervention to sustain the competitive development and sustainable growth of EU Small Family Businesses (FB).

In this document, as final deliverable of the VESTA project, partners collected in a concise and comprehensive manner the most interesting triggers for a more FB-oriented public action that is strategically coherent to dynamics impacting long-term prosperity and profitability of FB. The inputs and comments mentioned below are conceived as triggers for further food-for-thoughts that could practically inform the decision making policy cycle.

The wealth of knowledge gathered by partners throughout consolidation of Intellectual Output 2 deliverables' – a transnational and multidimensional analysis on threats and opportunities to growth and competitiveness for EU Family Businesses (FB) – highlighted seven main challenges faced by FEs across Europe. These challenges might represent the domain of focus of further policy actions tailored at addressing from a strategic perspective the related area of interest. Here below, a concise and comprehensive list of the aforementioned:



About this document:

1. Continuity of the business and intergenerational management

Undoubtedly the greatest challenge faced by FBs is the generational transition of the ownership and / or management. Estimates from the European Commission indicates that approx. 480.000 companies are transferred each year – a process that has a more or less direct impact on 2M jobs.

The risk associated to the business transfer, and business transgenerational continuity, might be represented by a lack of reliable know how and technical expertise detained by the next generation, or even more threatening, by the ineffectiveness of the in-place transition framework relied on by FBs.

Policy makers are called to sustain the cycle of the design, testing and validation of an experience-based framework that might ensure for smooth ownership transition, stemming from good practices and case scenarios both at national and EU level.

In the context of this specific recommendation, by framework we refer to a benchmark standard of reference extrapolated and build up from national as well as international good practices to which FB owners and management staff could refer to for strategizing and planning of the transfer of the ownership from one generation to the other.





About this document:

2. Better recognition of the FB ecosystem as standalone dimension

Worth to be mentioned is the fact that the current business literature available in EU is very much size-centred, meaning that most of relevant trends, data and dynamics are clustered per size of the enterprise and number of employees.

To better valorise the wealth of knowledge around family businesses – and the related decision making process – it would be necessary to have available a filter and parameter of analysis that is ownership-centred, so as to better distinguish the phenomenology that impacts for the most FB, compared to private businesses of other nature.

3. Flexibility in governance and management

Small FB tempt to be more flexible compared to large structured corporation. Specialised literature valorises such agility as in fact one of the distinctive feature of FB, and driver of innovation and overall competitiveness.

As long as we are referring to unlisted companies, regulatory framework should refrain themselves from the idea of setting compulsory governance frameworks.



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These on the other hand should stem from the practice domain, rather than the legal one, based on recommendations and other case studies valorised at policy level as standards, benchmark of reference, or more simply as source of inspiration.

4. Debt VS Equity

The analysis of industry literature at EU and national level seems confirming the fact that, at large, the EU fiscal regulatory system favour debt over equity.

Although a responsible leverage on credit for growth is most certainly responsibility of a sound financial management board within the firm, the privilege of debt over equity might lead FB to risky debit exposure that might inhibit in the long run their competitiveness, potentials for job creation, and overall profitability.

While still maintaining the control over their organisation, FB's owners could leverage of equity-based financing to attract capitals with no additional burden on their financial balance. Evidences from the literature assessment confirm that, from a policy making perspectives, the nature of incentives made available to FBs refer to subsidized finance measures (i.e., lines of credit at low interest rates): policy makers are called to switch the focus and incentivise as well equity-based growth and competitive paths – for instance, making easier for FBs the placement of shares and bonds on private investors' market.





About this document:

5. Tailored made education pathways

FB management implies a series of issues that are certainly distinctive of these organisation, but at the same time are neither “traditional” nor ordinary for other forms of enterprise. By promoting a tailored made education we are referring to the opportunity of consolidating knowledge that a whole cohort of future entrepreneurs would not be able to acquire unless relying on other unconventional methods of no guarantee on their effectiveness.

The European Commission provides for numerous examples of opportunities that could be instrumental to this end, see the case of Erasmus for Young Entrepreneurs, Key Action 1 with particular reference to Mobility for learners and staff in vocational education and training.

Policy makers can be the catalysers of aforementioned initiatives while fostering them as integrated resources for local-based development actions.





About this document:

6. Data privacy and digitalisation in general

This is without any doubt the most recurrent lag intercepted at level of research and analysis. Compared to large corporations, small FB lack of either the skills (i.e., human resources) or capitals to route towards concrete and long-term oriented digitalisation pathways. What policy makers do is designing ad-hoc solutions / resources (credit funds) specifically tailored to meet FB needs

7. Green leadership

Small FB play a central role for the economic development, innovation and well-being of EU societies. As they account for more than 60% of private business in EU, FB cannot ignore the social role they have in fighting climate change, for instance, by sustaining and promoting environmental awareness among civil society, by adopting and embracing eco-friendlier production paradigms, by reducing the carbon foot imprint of their value chain, etc.

Policy makers should find solutions that reword environmentally responsible business conduct and set the frame for a coordinated approach to sustainability with the proactive involvement of third parties and a multidimensional STKHs group.





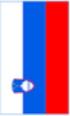
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To this end, reference standards for the reward of sustainable and eco-compliant entrepreneurial practices should look what the very European Commission recognize as sustainability competences: see [GreenComp The European sustainability competence framework](#) for reference

**To know more about the VESTA project, please consult:
<https://www.projectvesta.eu/>**



POLICY RECOMMENDATIONS – Critical areas of intervention per country

Continuity of the business and intergenerational management	Better recognition of the FB ecosystem as standalone dimension	Flexibility in governance and management	Tailored made education pathways	Data privacy and digitalisation in general
 <p>German family businesses seem to miss the opportunity of a strategic planning oriented towards the long-term period. Overcoming this managerial bias is instrumental to ensure business continuity and the effective integration of new generation: in that regards, training and support resources exist, but they are mainly delivered by external consultants and counselling programmes.</p>	<p>The challenges that come with the generational handover of the family business are exacerbated also by the shortage of skilled workers and new apprentices. This is even more pressing since these companies are more likely established in rural areas. It seems therefore unavoidable to showcase the attractiveness of family businesses as employers while at the same time establishing political measures to enhance the infrastructure in the rural regions and to provide incentives for the family businesses.</p>	<p>A special focus on women and other so far overlooked groups can widen the horizon and make it easier to find the most suitable candidate, in view of a strategic planning oriented towards the long-term period.</p>	<p>Despite playing a very important role for the German economy and making up almost 90% of all companies in the private sector, family enterprises do not benefit from any specific support system nor training offer tailored 'ad hoc' to their operational context and needs.</p>	<p>German family businesses are threatened by a severe digital skills lag, preventing them from transitioning into the digital era. The digitalisation challenge is often in charge of younger generation, lamenting on the other hand an overall lack of coherent and consistent support system (i.e. the approval and consensus from the ownership).</p>
 <p>Using any appropriate consultancy and activating training courses on how and when preparing the generational transition, may be useful for the professional and motivational preparation of both the senior and those who will take over the leadership.</p>	<p>Issue emerged at European level, see previous pages</p>	<p>Issue emerged at European level, see previous pages</p>	<p>There is a specific need to launch training courses in business management, with detailed information and tools from the VET to the Higher Education systems. The objective is training young people in order for them to be able to not only create a new business, but also to take over an existing one, and perhaps renew it in many of its parts, but also making sure to exploit its customer portfolio, relations with banks and suppliers, the network of consultants, its qualified personnel, its know-how, its reputation (overall approach).</p>	<p>The digitization process underway in the majority of businesses, including family businesses, can also greatly help the generational changeover phase.</p>
 <p>The biggest issue discovered among Slovenian family businesses is the generational transition process in which 2/3 of enterprises fail. Key success factors to ensure a smooth and effective generational transition are represented by: capability assessment, early beginning of the process, ensuring continuity and equal treatment of individuals.</p>	<p>Issue emerged at European level, see previous pages</p>	<p>Issue emerged at European level, see previous pages</p>	<p>Part of the analysed literature highlights the fact that emotions have a big impact on decision making processes, and harmonising the rules between the systems and the relational networks should be a permanent ongoing concern of family businesses' management</p>	<p>Most of the counselling services focus on fiscal and financial regulation accompanying the handover process, but very little is mentioned about the organic managerial framework and change management – including digital transformation.</p>
 <p>Only 28% of Family Businesses have succession plans and merely 12% have an autonomous body to separate business affairs from personal ones. The ideals of effort, sacrifice and hard work which characterize family enterprises become a boundary when it comes to the succession moment. The lack of a strategic plan for this succession is a mixture of unwillingness and ignorance about how to create their protocol for succession.</p>	<p>Issue emerged at European level, see previous pages</p>	<p>Although tradition is one of the positive values of family enterprises, it might become a weakness for the growth of the company. This, together with the lack of training and education, professionalism, strategic approach and the financial shortage, become some of the most common issues that stop family businesses from growing and becoming stronger enterprises.</p>	<p>There is a need to provide family businesses with the appropriate tools and training to help them deal with this conflict.</p>	<p>Issue emerged at European level, see previous pages</p>