



FAMILY COMPANIES ARE MORE MOTIVATED THAN EVER TO BUILD A SUSTAINABLE BUSINESS!

The world is certainly not the same as when the Interreg Europe Success Road project was launched in August 2018. From February 2020, family businesses are facing new challenges connected to the pandemic crisis that required a rapid adaptation of their business strategies. Fortunately, signs of economic recovery are slowly starting to show. In spite of the common perception that family businesses are naturally resilient and of the expectation of being the engine of the global economic recovery from COVID-19, it is beyond doubt that their continuity has also been tested. In the current context, family companies find themselves more motivated than ever to build a sustainable business that will be carried forward by each generation.

Interreg Europe Success Road project consortium composed by public administrations from Greece, Lithuania, Poland and Spain and national associations, all supported by the European Footwear Confederation, have continued to debate on the best legal framework to support EU family companies' transfer process by identifying and implementing adequate instruments and solutions.

This newsletter edition will start with a brief presentation of the policy learning guidelines developed by the Spanish project partners, it will go through the main takeaways from the workshop with

IN THIS EDITION:

- Strategies to enhance the value of family businesses
- The Greek case:
 - the family business environment
 - the related policy instrument
- Next steps that family businesses will take after the COVID-19 crisis

Greek stakeholders, and it will provide a concise overview of the Greek family business environment as well as of the related policy instrument. Finally, this edition will offer prospects on the steps ahead of family businesses after COVID-19.

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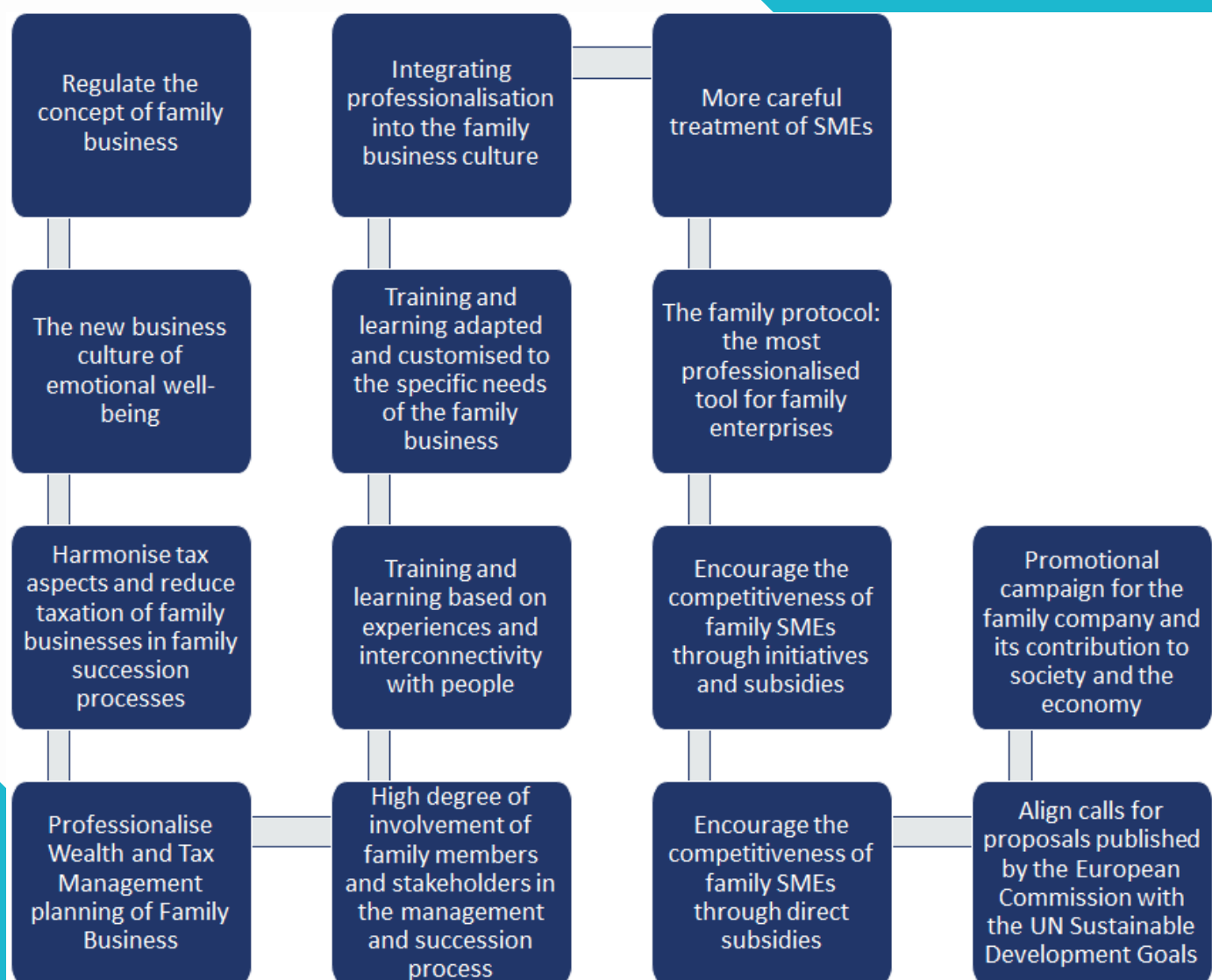
POLICY LEARNING GUIDELINES FOR BOOSTING THE ROLE OF SOCIAL PARTNERS IN FACILITATING THE TRANSFER PROCESS IN THE TEXTILES, CLOTHING AND FOOTWEAR SECTORS

The workshop discussions with Spanish and European stakeholders organised by the Valencian Association of Footwear (AVECAL) and the Valencian Institute for Entrepreneurial Competitiveness (IVACE) in October 2020 and a further research served to produce a policy guidelines' report for the Valencian region. The report aims at highlighting the role of social partners in facilitating the transfer process in the textiles, clothing and footwear sectors. It looks at succession's shortcomings in Spanish and EU family businesses and proposed a series of strategies for a smoother transfer of ownership that will also ensure

their continuity and competitiveness. The 14 strategies recommended have the potential of delivering good results in the medium to long term if the companies place succession at the top of their priorities and cooperate with social partners throughout the process.

As underlined in the report, implementing the strategies designed will contribute to guaranteeing companies' survival and to safeguarding all the added value that family businesses in the textile, clothing and footwear sectors bring to the region such as: contribution to economic growth, jobs creation, response to market needs, development of new products and services, support for the local business culture and the impact that the company corporate social responsibility deploys in its surroundings.

14 STRATEGIES TO ENHANCE THE VALUE OF FAMILY BUSINESSES



BRAINSTORMING SESSION WITH GREEK AND EUROPEAN STAKEHOLDERS ON THE KEY INGREDIENTS FOR A SUCCESSFUL TRANSFER OF OWNERSHIP

In July 2021, the project consortium met virtually with Greek and European public and private stakeholders to debate on the modernisation of the legislative framework for business succession by including support measures for family companies, especially for SMEs in the clothing and footwear sectors. Interesting data and perspectives were shared during the discussions with field experts touching upon the differences between all types of business successions as well as on the need for innovation and digitalisation.

Dr. Christos E. Georgiou, General Director of the Institute of the Federation of Industries of Greece and author of the book "Succession in Family Businesses" outlined practical pieces of advice for a successful succession and the continuity of family businesses. His analysis underlined that the primary reason of failure in transfer of ownership is the gap between the perception of the founder on the preservation family business and the perception of the successors combined with their lack of leadership experience. The experts agreed that only by working together and by having the interest of the family heritage at heart, the founder and the successor can ensure the continuity of the family business.

Furthermore, the panellists concluded that successful business transfer ecosystems that stimulate the dynamism in entering and exiting entrepreneurial activity are vital to EU family businesses. Ms Depelssemaker, Secretary General of TRANSEO[1], emphasised that an ecosystem supporting companies throughout their succession process is highly needed to ensure that businesses are able to continue their activities under the new ownership, and have also the opportunity to grow.

This event closed the series of workshops that took place in all partner countries (Spain, Greece, Lithuania and Poland) and it will be followed by a final project conference at European level.



GREEK FAMILY BUSINESS ENVIRONMENT

Family businesses in Greece represent 50-80% of all business entities[2], most of them operating in agriculture and tourism sectors[3]. According to the study conducted by IME-GSEVEE in 2012[4], the specificity of the Greek business environment is that the vast majority of enterprises in Greece (96,5%) are micro companies while small enterprises account only for 3%, medium sized for 0,4% and lastly large for 0,1%.

As expected, succession ranks high on the agenda of Greek family companies. According to the 2011 survey by the Hellenic Organization of Small & Medium sized Enterprises (EOMMEX) "Transfer and Succession in SMEs" almost 83% of the successors in Greek family businesses at that time came from the wider circle of family relatives, while 79% of the total transfers were parent-to-children transfers. Regarding transfer plans of the companies interviewed, 7 out of 10 family business owners planned to transfer the family firm to the next generation, while only 9% were thinking of selling the company to a third party, or if listed, to sell the shares of the company to a third a party. Furthermore, 46% of successors took over their parents' businesses with the vision to grow and support them to survive on the market. Approx. 90% of family business owners considered that preparing and training the next generation is crucial for both the survival and the success of the business. Majority owners-managers appreciate non-family executives as valuable for their businesses, bringing in many benefits.

Pre-pandemic, 62% percent of Greek family businesses were confident or very confident about the future[5]. However, sales growth expectations have seriously deteriorated. According to the most recent field research conducted by PwC and published in March 2021[6], Greek Family Businesses felt that the impact of the pandemic crisis will be severe and can lead to an almost 50% decline in revenues, similar to global numbers. 31% of the Greek Family Businesses interviewed had a need for additional capital in the last year. When it comes to succession, about half of Greek businesses had next generation family members working in the business and only 24% of them had a robust succession plan in place.

Coming out of the crisis, Greek family businesses set their priorities towards: 1) diversification and expansion of their activities; 2) digitalisation and introduction of new technologies; 3) evolving and new business thinking; and 4) sustainability and focus on the local community. However, 60% of the respondents acknowledged that they lacked of strong digital capabilities.

In the longer term, over 90% of Greek Family Businesses interviewed have set the ambition of protecting their business as the most important family asset, and a large part aimed at creating a legacy and at ensuring that the business stays in the family.

Following the recent developments, the Greek economy is in need of a new growth model based on smart specialisation, investments and internationalisation. Greek SMEs need support measures that include reducing the regulatory and administrative burdens as well as the creation of an incentive package for business initiatives in a certain number of sectors. Unfortunately, the number of Greek SMEs is decreasing because of the crisis, and the same is happening in other European countries. Therefore, ensuring a successful transfer of ownership through specific strategies and support measures is crucial.

In this relation, the Success Road project has become even more relevant and needed because the updated policy instruments partners will produce



following intensive discussions between public authorities and industry representatives that have raised awareness about the challenges companies/families are facing throughout the process of transfer of ownership and about the opportunities that a succession plan could create.

GREEK POLICY INSTRUMENT: OPERATIONAL PROGRAMME COMPETITIVENESS, ENTREPRENEURSHIP AND INNOVATION 2014- 2020 (EPANEK)

One of the expected project outcomes is the improvement of 4 policy instruments in partner countries. The previous newsletter editions analysed the policy instruments of Lithuania, of the Mazovia Region (Poland) as well as of the Region of Valencia (Spain).

This edition will therefore be dedicated to the Greek Operational Programme (OP) Competitiveness, Entrepreneurship and Innovation 2014-2020 (EPANEK).

This OP has the aim to substantially contribute to the proposed shift in the growth model of the Greek

economy from non-tradeable into tradeable sectors[7]. The ultimate objective of the programme is to enhance the competitiveness and internationalisation of Greek companies as well as facilitating the transition to quality entrepreneurship and innovation.

The first priority of the OP “Enhancing entrepreneurship with sectorial priorities” is of particular relevance as it aims at increasing research potential and private investments in R&D, promoting innovation and outturn of SMEs, particularly in sectors with a competitive advantage such as the textile, clothing and footwear.

The OP is not directly tackling the topic of succession/transfer of business and its challenges, nor does the existing support measures at national level. In this regard, there is a pressing need to upgrade and develop support measures targeting the transfer of ownership in family enterprises in all phases of the process.

COMEBACK OF FAMILY BUSINESSES AFTER THE COVID-19 CRISIS

STEP Project Global Consortium and KPMG Private Enterprise teamed-up with the Global family business survey: COVID-19 edition[8] with the purpose of presenting best practices that would help family businesses to recover from the crisis and to provide guideposts for advancing their businesses into the future. The survey was conducted during June – October 2020 on over 3000 companies, 2400 respondents being from family businesses from 75 regions worldwide. According to the report, the companies most affected by COVID-19 in terms of revenue declines came from industries such as hotels and restaurants, education, arts, entertainment and recreation, manufacturing, construction, transportation. However, some industries (i.e., human health and social work, information and communication, agriculture, wholesale and retail as well as selected arts) managed to register revenue increases.

In Europe, COVID-19 pandemic affected revenues of businesses as following:

- 64% declared revenue decrease
- 11% declared revenue increased
- 25% declared revenue stayed the same

Immediate consequences on the family business in Europe of having a family member affected by COVID-19:

- In 44% of cases the family member could not go to the work place but worked from home
- In 5% of cases a family member from the same generation took up his/her job while recovering
- In 5% of cases a family member from the next generation took up his/her place while recovering
- In 47% of case there were no consequences for the family firm

Actions taken by companies in response to the impact on the family business in Europe:

- 40% reduced/eliminated labour costs
- 41% reduced/eliminated operative costs or planned investments
- 12% restructured/differed costs and payments
- 7% reduced/eliminated top management team compensation

Source: STEP Project & KPMG Report, Global family business report: COVID-19 edition

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INTERREG EUROPE PROGRAMME

Interreg Europe helps regional and local governments across Europe to develop and deliver better policy. By creating an environment and opportunities for sharing solutions, we aim to ensure that government investment, innovation and implementation efforts all lead to integrated and sustainable impact for people and place.

We know that better performance leads to better results. By building on its forerunner, INTERREG IVC (2007-2013), Interreg Europe aims to get maximum return from the EUR 359 million financed by the European Regional Development Fund (ERDF) for 2014-2020. This time round, it's still about doing good, but doing it better!