

The European Family Business Summit: 18th of November 2016 Lisbon



On the 18th of November, the **3rd European Family Business Summit** took place in Lisbon. 140 family business leaders from 17 countries came together to discuss topical political and business issues faced by family-owned companies.



The conference chair and Secretary General of European Family Businesses (EFB), **Jesús Casado**, opened the conference by recalling that EFB had hosted its first major event in Lisbon nine years before in the same location. He stated that the event had acted as a launch pad for the family business movement in Europe. He also emphasized that, now more than ever, family businesses have a responsibility to support Europe during this challenging political and economic moment: 'As family businesses, we want to

help the EU, we want help our continent prosper'.

Beatrice Ballini, Leader of Family Practice at Russell Reynolds Associates, presented her insights on strategic shifts for family businesses. In her presentation, 'The Family Company New Paradigm', she highlighted the important drivers of success for family businesses amongst which are, family values, the long-term perspective and the will to reinvest profits. Because skilled staff is a crucial factor for the success of a business, the main challenge of the future for family businesses, she explained, is the war for talent. She noted that to win the war for talent, family businesses must leverage on their values to differentiate themselves from regular companies. She pointed out that 'family businesses stand out because they have sustained growth perspectives as well as an emotional bond to the business which reflects in the special environment and the long-term orientation'.



The first panel discussion, entitled 'Keys to Success How Companies Scale-up', followed the thematic of the previous address and dealt with the growth perspectives of family businesses. The panellist included: **Christophe Bernard**, Head of Middle Markets across Europe, Middle East and Africa, KPMG; **Isabel Furtado**, Executive Board Director of TMG and **Manel Adell**, Board Member at Puig and ex-CEO of Desigual. The panel was chaired by **Olaf Leurs**, partner in charge of Family Business at

KPMG Netherlands, who quizzed the panellists on their experience with business expansion or 'scaling-

The European Family Business Summit: 25th of November 2014 Berlin



up', going international and the merits of using external managers.

Christophe Bernard opened the panel by presenting the findings of the joint KPMG-EFB study entitled 'Hidden Growth within Family Businesses.' He explained that the future growth of family businesses will be underpinned by a focus on innovation and internationalisation. On potential roadblocks to achieving growth, Mr Bernard noted that **family businesses themselves have cited political instability and poor succession planning as being the main obstacles.** Due to their intrinsically private nature, Mr Bernard noted, family businesses tend to shy away from the public domain and this can also be dangerous as society does not have a clear picture of their importance and significance. He concluded that 'family businesses drive success without the fame. We need to make sure that family business stay on their way, providing jobs for the future, and are understood by society.'

In her interventions, Mrs Furtado noted that the success of TMG was driven by innovation and the challenge to think differently. Being faced with Asian competition in the textile industry, Mrs Furtado explained, TMG decided to innovate and shift its business model from fashion textiles to automotive textiles. This strategic shift, together with investments in innovation, she noted, led TMG to become the trendsetter in the industry for automotive textiles. When quizzed on what drove this change, she remarked that 'including external management has allowed TMG to see opportunities that couldn't be seen from the inside'.



On the role of external managers, Mr. Adell added that they have a crucial role in supporting good governance as 'high growth can create chaos'. On the main drivers of growth at Desigual, Mr Adell noted that a favourable exchange rate and expanding production in Asia had greatly contributed during this successful period. The company itself, Mr Adell explained, focused on four pillars: product differentiation, recruitment of skilled workers, innovation of information systems and a high rate of internationalisation. He concluded that 'growth is about high ambition. It is the elixir of businesses'.

The European Family Business Summit: 25th of November 2014 Berlin



The panellists agreed that the current biggest challenge to long-term growth is political instability. ‘As a company you need to know which political changes you are dealing with’ Mrs Furtado remarked. Mr Adell added that ‘**a predictable tax code is key for economic growth**, especially the taxation of reinvested profits.’ The panellists concluded that Europe needs more certainty in its political system if it wants to successfully compete with Asia or the USA.



Following the first panel **Anthony Gardner, US Ambassador to the European Union**, delivered a rousing keynote on the future relationship of the United States of America and the European Union. Ambassador Gardner articulated his firm belief that ‘the relations of the EU and the USA are a power to do good.’ Ambassador Gardner noted that, despite popular opinion, he believed that Transatlantic Trade and Investment Partnership (TTIP) would have been a chance for

both continents to set global standards on trade and to lower burdens for business. Ambassador Gardner noted that ‘**Family business owners understand the importance of stability, strong democratic institutions, a healthy middle class and free markets. So, they should be concerned that free trade and globalization are considered toxic in much of Europe today.**’ He encouraged the audience to be passionate, ‘we cannot allow the radicals to have a monopoly on passion.’ He added that ‘Europe needs to better communicate its advantages and its plan to its people.’ He also called on the audience to better communicate the achievements and the importance of the family business sector, because positive public perception depends on delivering the right messages. He concluded, ‘family-owned businesses must play a role in repairing the social contract. You are long-term thinkers and planners. Your businesses are builders of bridges, not walls. You can help build a Europe that believes in itself and embraces the opportunities of free trade and a globalized world.’

The second panel, entitled ‘**Investing in a new Europe: Challenges and opportunities**’, saw a frank and open discussion on future of Europe and the potential impacts on business. The panellists included: **Fernando Abril-Martorell**, Chairman of INDRA; **Purseu Heugens**, Professor at the Rotterdam School of Management; **Günter Verheugen**, ex-Commissioner for Enterprise and Industry; **Udo J. Vetter**, Chairman

The European Family Business Summit: 25th of November 2014 Berlin



of the Advisory Board, Vetter Pharma. The panel was moderated by **Peter Villax**, Chairman of Associação das Empresas Familiares.

Mr. Verheugen stated, following on from the conclusion of the previous interventions, that business must currently deal with the big problem of political unpredictability. He remarked that, in Europe, the idea of ever closer union, which has for long been the paradigm of European, is no longer shared across the continent. He noted that to create predictability **a Europe that focuses on core issues could create the right framework for business and entrepreneurship**.



Mr. Abril-Martorell expanded on the links between businesses, politics and technological change. He explained that everyone perceives how technological advancements have benefitted their lives, but these changes, in certain instances, have had a disruptive effect on employment. He stressed that *“many politicians have never run a company”* and that businesses therefore have a responsibility to transmit their perspectives. This perspective, he added, is important because the technological changes are going to have even more significant impact on the work force. He insisted that **“It is mandatory to find a workable model for the social impact of technological changes”**.

Another field of significant change, Mr Vetter added, is the medical and pharmaceutical sector. He stated that this will have significant impact on demographics and will cause more societal disruption. Mr Vetter explained that family businesses have a duty to ensure that the local workforce and community are given the opportunity to adapt with these developments, stating that **“as a family company, we have a duty to take our people along.”** Mr Vetter noted, with regards to the upcoming elections in Germany, that the family business community will work with other societal stakeholders to ensure that growth and prosperity remain the priority.



The European Family Business Summit: 25th of November 2014 Berlin



Regarding the values of family businesses, such as responsibility towards employees and the region, Professor Heugens added that they are at the core of the success of family businesses. Professor Heugens stated that, in order to be successful in the future, **family businesses have to preserve their values and adapt themselves to the challenges that are posed to them.**

Regarding the best solutions to meet the significant societal challenges that technological advancements will bring, the panellists agreed that the predictability of political initiatives and common solutions would be the key factors in successfully managing these challenges.

Dimitris Dimitriadis, the Vice-President of the Europe 2020 Steering Committee, European Economic and social committee, delivered an address on his experiences working in Brussels and the necessity of the business perspective in the political process. Mr Dimitriadis stressed that the European Institutions partly lack an understanding of business. **He called on both the business world and the EU institutions to better work together.** Regarding the responsibility of business leaders, he noted that the know-how and skills that lie in businesses must be transferred to the next generation. Mr. Dimitriadis concluded that this transfer will allow business to continue to provide prosperity and policy makers to better understand business.



In his address, **Alfonso Libano, Chairman of European Family Businesses**, reviewed the developments of the past year and laid out the future role of the family business. As a result of the destabilising political events of 2016, family businesses, Mr Libano explained, more than ever have the duty to be a stable pillar of the European continent: 'they need to demonstrate that they are the best source for long term growth and responsible ownership.' Political recognition of this fact, he noted, has been growing steadily. Mr Libano stated that to maintain the growth of family businesses **it is essential to strengthen long term patient capital.** He concluded that this should underpin the overall regulatory framework to support family businesses, through long term capital and simple business transfers.



The European Family Business Summit: 25th of November 2014 Berlin



Peter Villax, the Chairman of *Empresas Familiares*, started his address by stressing that 'the recognition of family businesses does often not transform into adequate policies'. As a result, he noted, family businesses must do more to engage with the public. Following on from the conclusion of the previous intervention, Mr Villax reminded that audience that globalisation and technological innovation would throw up significant challenges to society. He stated that family businesses would need to make their part to meet these challenges for the benefit of all. Mr. Villax ended his address echoing the general theme of the summit, 'family businesses are the drivers of the economy, and can bring back prosperity.'



The summit was closed by a message from the **President of the Republic of Portugal, Mr. Marcelo Rebelo de Sousa**. He stated that family-owned companies play key role in social, political and economic structures. He thanked the family businesses for 'their contribution, their presence and their fight for values. The value of the family is a central value in any democratic and social state.'