

**ORGANIZATION  
OF THE BLACK SEA  
ECONOMIC  
COOPERATION (BSEC)**

**KONRAD  
ADENAUER  
STIFTUNG  
(KAS)**

**WORKSHOP ON  
“FAMILY BUSINESSES AND SMEs”**

**Istanbul, BSEC Headquarters, 8-9 October 2013**

**Summary Proceedings**

**1.** The Workshop on “Family Businesses and SMEs” was held at the BSEC Headquarters in Istanbul, on 8-9 October 2013. It was jointly organized by the Permanent International Secretariat of the Organization of the Black Sea Economic Cooperation (BSEC PERMIS) and the Konrad-Adenauer-Stiftung (Foundation) (KAS) in Turkey.

**2.** Welcoming statements were delivered by Dr. Colin DÜRKOP, Head of Office of the Konrad-Adenauer-Stiftung (KAS) in Turkey, and Ambassador Traian CHEBELEU, Deputy Secretary General of BSEC PERMIS.

**2.1.** Ambassador T. CHEBELEU welcomed the participants of the Workshop on behalf of the BSEC PERMIS. He expressed thanks and appreciation to the KAS for its long-standing support to and cooperation with BSEC which has resulted in the organization of a series of workshops and seminars - over 40 workshops since 1997 - aimed at promoting the SMEs in the BSEC region. He took the opportunity to thank in particular Dr. Antal SZABO, UNECE ret. Regional Adviser on Entrepreneurship and SMEs, Scientific Director of ERENET, for his contribution and professional knowledge to the success of the exchanges which have taken place. The topic of the Workshop “Family Businesses (FBs) and SMEs” represents an important and stable element of the BSEC economies. Support for the sustainable development of the SME sector is one of the goals of the “BSEC Economic Agenda Towards an Enhanced BSEC Partnership.”

**2.2.** Dr. C. DÜRKOP welcomed the participants of the Workshop on behalf of the KAS. He highlighted the cooperation with ERENET as well. Over the past two decades, many Workshops were realized aiming at providing dialogue form between the stakeholders and decision-makers for SME policies in various BSEC countries. For 2013, Istanbul was chosen as the venue of the Workshop, as Turkey especially provides a very good example for FBs. Dr. DÜRKOP underlined the importance of elaborating on possible suggestions to Governments to deal with these issues with a view to incorporating them eventually into

national SME and employment policies. He added that the Workshop findings, conclusions and recommendations will be submitted to the BSEC Working Group on SMEs where it will be considered during its next session on 10-11 October 2013.

3. The Workshop was co-chaired by Ambassador T. CHEBELEU, BSEC PERMIS Deputy Secretary General; Dr. C. DÜRKOP, Head of the Konrad-Adenauer-Stiftung (KAS) in Turkey; Dr. Antal SZABO, UNECE ret. Regional Adviser on Entrepreneurship and SMEs, Scientific Director of ERENET; Dr. Fikret N. ÜÇCAN, Vice-President of TOSYÖV (Turkish Foundation for Small and Medium Business); and Ms. Meltem GÜNEY, Executive Manager of the BSEC PERMIS.

4. The Workshop was attended by the representatives of the following BSEC Member States:

Republic of Albania  
Republic of Armenia  
Republic of Bulgaria  
Georgia  
Hellenic Republic  
Republic of Moldova  
Romania  
Russian Federation  
Republic of Serbia  
Republic of Turkey  
Ukraine

The list of participants is attached as Annex I and the Program of the Workshop is attached as Annex II.

5. On the first day of the Workshop, Dr. Antal SZABO; Assistant Prof.Dr. Meltem İNCE YENİLMEZ, Faculty of Economics and Administrative Sciences, Yaşar University; Dr. Daniel MITRENGA, Chief Economist, Die Familienunternehmer ASU e.V.; and Prof.Dr. Jörg FREILING, Vice Dean of the Faculty for Business Studies and Economics, Chair in Small Business and Entrepreneurship, University of Bremen addressed the Workshop as lead speakers.

5.1. Dr. A. SZABO, in his presentation, stated that the FBs constitute a substantial part of existing European companies. The Small Business Act highlighted the role of the FBs and the need to make full use of their potential. The study on the “Overview of FB relevant issues” completed in 2008 provides an overview of national definitions of FBs, their specific characteristics, classifies existing national networks and support institutions. The most important issue is preparation for the transfer of the FBs. The Entrepreneurship 2020 Action Plan calls the European Commission and EU Member States to improve legal, administrative and tax provisions for business transfers. He added that reviewing tax regulations with respect to their impacts on the liquidity of small or medium-sized FBs should be considered. Finally, Dr. SZABO highlighted the key elements of success of the FBs as follows:

- understanding and harmonic utilization of the three levels of responsibility including ownership, enterprise management and family;

- only those FBs became successful where all members of the FBs became responsible owners.

**5.2.** Assistant Prof. Dr. M.İ. YENİLMEZ presented the history, development and characteristics of the FBs in Turkey. 90% of enterprises are family firms and 94.1% of SMEs are FBs. According to the PwC survey in 2008, the majority of FBs are of first generation - 56% of companies are engaged in the production sector and 14% in construction. FBs are characterized by innovative cultures. Taking low capital market and dependencies are preferable. They prefer good relationship with customers. Best known Turkish family-owned business examples were mentioned as:

- Koç Holding with USD 4.9 billion income and employing 45,626 people; and
- Sabancı Holding with USD 5.3 billion income and 31,380 employees.

**5.3.** Dr. Daniel MITRENGA pointed out the significance of FBs in Germany and their innovation activities. This association was founded in 1949. Today it includes 5,000 members. The share of FBs is 91.0% with employment of 55% and 47% of overall turnover. 65% of FBs are single-member companies. FB is not a matter of size. Not many enterprises get old, only 29% are of 2<sup>nd</sup> generation, 13% of 3<sup>rd</sup> generation and only 2% of 5<sup>th</sup> generation. FBs offer 80% of apprenticeship training position. They are very good standing as employers. FBs are deeply-rooted in regional structures evolved over generations. They survived very good through the economic crisis. Although FBs are very innovative and internationalized, many of them are acting only in their own regions. It is worth mentioning that FBs build close business to business relations, having strong customer relations.

**5.4.** Prof.Dr. Jörg FREILING, in his presentation, highlighted the characteristics and managerial behaviour of German FBs. There are many clusters in the country which are strong and they are interconnected. Innovation and experimentations are very strong in FBs. Recently, the influence of FBs in society is decreasing. This is perhaps due to the erosion of the old family business model. In the globalized world, the FBs are building a transnational position and having partners from international value chains. The volatile world builds responsiveness and looks for ways to set standards. The small world of business aims at building relationship based on trust and reliability developing reputation and also increasing brand awareness. He identified four types of FBs including: (i) patriarch; (ii) family team; (iii) professional family model; and (iv) family investment group models.

**6.** An exchange of experiences concerning family businesses in the BSEC Member States took place. The representatives of the BSEC Member States made their presentations. Issues addressed included:

- (i) definition of a family business;
- (ii) characteristics of family businesses;
- (iii) financial constraints of family businesses;
- (iv) entrepreneurship education and family-business specific training requirements and practices;
- (v) transfer of family businesses;
- (vi) Government support to family businesses;
- (vii) family business contests and awards.

Question and answer sessions were held after presentations and recommendations were made to be included in the Summary Proceedings to be agreed upon at the final session of the Workshop.

7. On the second day of the Workshop, presentations were made by Dr. Ahmet ÇİMENÖĞLU, KOÇ Holding A.Ş. Economic Research Coordinator; Ms. Meltem KURTSAN, Shareholder of KURTSAN Holding, Vice President of KURTSAN Foundation; and Dr. Serhat ÖZTÜRK, Manager of the Anatolia Service Center of the Small and Medium Enterprises Development Organization of the Republic of Turkey (KOSGEB), Istanbul.

### **Final Discussions and Conclusions**

8. The following points were made in conclusion:

**8.1.** FBs are considered to be the backbone of the economies of the BSEC Member States and their societies in a wider sense.

**8.2.** FBs make up about 70-80% of all European enterprises, accounting about 40-50% of employees.

**8.3.** Most SMEs, especially micro and small enterprises, are FBs and some of the largest European companies are also FBs.

**8.4.** Most of FBs are SMEs operating in traditional sectors such as tourism, agriculture and the service sector.

**8.5.** There is no commonly accepted definition of FBs in the EU. However, the Participants of the Workshop agreed that a firm, of any size, is a FB if:

- (i) the ownership of the company belongs to a natural person(s) or his relatives;
- (ii) the majority of decision-making rights is in the possession of this natural person(s); and
- (iii) at least one representative of the family is formally involved in the management of this firm.

The definition should be introduced at the national level.

**8.6.** The common feature of FBs is that the family dimension, the business and the ownership are intertwined.

**8.7.** FBs are flexible in time, work and money, they are innovative entities with long-term thinking, stable culture, credible, moral and proud business behaviour. However, their business challenges contain scepticism, they are reluctant to modernize their management styles.

**8.8.** FBs in many BSEC countries including the advanced ones are generally negative about the Governments' attitude and support. The majority of FBs feel that the Governments do not recognize the significance of the FBs.

**8.9.** In FBs the way of entrepreneurial thinking and actions are different compared to large businesses.

**8.10.** In advanced market economies, like in Germany, the influence of FBs is decreasing. The old family model is eroding because of changing the requirements from the outstanding environment due to increased globalization.

**8.11.** There is a lack of research and common understanding with regard to the value of the FBs for the economy and the society.

**8.12.** Succession of FBs as well as business transfers constitutes a challenge for the long term survival of the existing FBs. Major reasons for failure of business transfers are lack of careful planning and rigid taxation policies in this process.

**8.13.** There is a lack of reliable statistics on the FBs in the BSEC Member States.

## **Recommendations**

**9.** The following recommendations were made:

**9.1.** Governments should provide a legal definition of the FBs in the BSEC Member States and harmonize it with their existing company and SME laws. While defining FBs, the three major pillars including the family, the business and the ownership should be taken into consideration.

**9.2.** Governments should foster entrepreneurial mindsets in the entire education system in order to contribute to the creation of the sustainable FBs in the BSEC countries. Special attention is required to modernize the VET system in the BSEC Member States.

**9.3.** Governments should improve national statistics related to FBs.

**9.4.** Free training courses, especially in business planning, accountancy, marketing, management and use of ITC should play an important role for the further development of FBs.

**9.5.** Governments should consider adopting measures to create a more favourable environment for FBs, including simplification of company law, reducing bureaucracy, easing taxation and providing financial resources especially for the start-up of FBs.

**9.6.** Governments and national authorities should foster the development of local and regional clusters especially by providing cross fertilization.

**9.7.** Governments should foster transfer and innovation projects between academicians and FBs.

**9.8.** Governments should include FB development into their SME policy development.

**9.9.** The civil society should be encouraged to represent the interests of FBs especially at national level.

**9.10.** Where necessary, media and public institutions should improve the promotion of the values of the FBs.

**9.11.** The Participants of the Workshop agreed to produce a book on family businesses in the BSEC Member States, based on the guidelines which will be sent by ERENET Scientific Director in agreement with the KAS, by 15 October 2013.

**10.** The Participants to the Workshop expressed their deep gratitude to KAS for its support and financial contribution to the Workshop, and to BSEC PERMIS for the warm hospitality extended to them during the meeting in Istanbul.

---

---