Family business characteristics in Slovenia
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About the study

This study is based on survey results gathered from 360 family businesses in Slovenia in the summer of 2015. The responses represent a sample from micro, small, medium-sized and large enterprises. The data was collected using a questionnaire and an online survey targeted at senior business leaders of companies with five or more employees, supplemented by information from financial reports (bizi.si and AJPES). The survey was funded by the University of Ljubljana, Faculty of Economics and the Slovenian Research Agency, in cooperation with EY Slovenia.

The survey questionnaire comprised questions prepared by EY and Dr. Boštjan Antončič, the leading researcher. 9,516 companies were contacted at random, achieving the desired sample size of 432 respondents (360 of which have had family control over their strategic direction). Overall, a 4.5% response rate was achieved. Despite the relatively low response rate, the sample was a good representation of the composition of companies in Slovenia.

Need for study

Family business as a form of ownership can be an important element of sustainable economic development. With this study, we want to improve the understanding of family business - and contribute to the awareness of the importance of family business. We want to accurately present Slovenian family businesses, with a combined emphasis on background, operational, strategic and financial characteristics.

Overall research question:

- What are the characteristics of family businesses in Slovenia?
Introduction

The majority of businesses in Slovenia are family-run and they are a driving force in the economy.

Family businesses are an important form of entrepreneurship\(^1\), and contribute significantly to economies in Europe and worldwide\(^2\). In the United States alone, family businesses contribute up to 64% of GDP and employ up to 62% of the national workforce\(^3\).

**Succeeding for generations**

EY is a market leader in advising and guiding family businesses. With almost a century of experience supporting the world’s most entrepreneurial and innovative companies, our organization understands the unique challenges they face.

Based on extensive experience with family businesses around the world, EY has developed a “growth DNA model”, which supports both the personal and company performance agenda of family business leaders to help their family businesses succeed for generations. The model focuses on eight determining factors: next generation planning, effective tax management, future management structure, managing capital, sustainable growth and profitability, managing and retaining talent, culture and responsibility, and balancing risk.

The practical assistance and professional advice EY offers involves sector-specific issues, the latest regulatory provisions as well as personalized information from key areas of specialization – Assurance, Tax, Transaction and Advisory Services.

EY has an integrated, cross-border team available to address a unique family business agenda. Thanks to this worldwide knowledge – combined with an understanding of local customs, laws, languages and cultures – our global professionals can provide guidance wherever business is done.
Most companies in Slovenia (up to 83%) are family-run and predominantly small, with fewer than 50 employees. These family businesses typically generate annual revenues of up to €4 million individually, have operated for more than 20 years and are under the leadership of the first or second generation of owners.

Family business defined
Family businesses can be defined in different ways⁴. A broad definition of family businesses includes those in which the family has control over the strategic direction of the organization, whereas a narrower definition includes companies which have more than one generation and more than one family member with managerial responsibility⁵. The former is consistent with the EY definition, which states that family businesses are: “either public companies with a minimum shareholding or voting power of the owner family of 32%, or private companies with a minimum shareholding of the owner family of 50%”⁶.

Highlights

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>83%</td>
<td>83% of companies have family control over their strategic direction</td>
</tr>
<tr>
<td>71%</td>
<td>71% of companies have two or more family members with managerial responsibility</td>
</tr>
<tr>
<td>62%</td>
<td>62% of companies have two or more generations of a family involved</td>
</tr>
</tbody>
</table>

Family businesses are mainly micro and small enterprises with less than 50 employees (95%), total yearly revenues of €4 million or less (87%), are more than 20 years old (74%) and operate in various industries. The most important of these are retail and wholesale trade (19%), construction (19%) and the manufacturing of industrial goods (17%), with other industries also well-represented.

Family businesses are typically led by the first generation (58%) or second (37%), and only 5% are led by a third or younger generation. Since privately owned businesses have been a possibility only since the market economy was introduced in the early 1990s, this makes third or younger generation owners much less common. Interestingly, this is in line with the average for Western Europe and North America, where usually less than 10% of family businesses survive through a third generation⁷.

From the 1950s until the end of communism, however, entrepreneurial craftsmanship was allowed. Many craft manufacturers grew into modern industrial middle-sized enterprises over more than 30 years of operation⁸.
Figure 1: Distribution of family businesses by number of employees

- 51% of family businesses employ 5 to 9 employees
- 32% employ 10 to 19 employees
- 12% employ 20 to 49 employees
- 2% employ 50 to 99 employees
- 3% employ 100 or more employees

Figure 2: Distribution of family businesses by industry

- Retail and wholesale trade: 19%
- Construction: 19%
- Manufacturing industrial goods: 17%
- Consulting and business services: 9%
- Consumer services: 9%
- Manufacturing consumer goods: 7%
- Transportation and public utilities: 7%
- Tourism: 6%
- Engineering, research and development: 4%
- Other: 2%

Note: Numbers do not add up to 100% due to rounding.
Family businesses in Slovenia

Figure 3: Distribution of family businesses by total annual revenues

- €400,000 or less: 17%
- €400,000 to €800,000: 28%
- €800,000 to €1,600,000: 23%
- €1,600,000 to €4,000,000: 18%
- €4,000,000 to €20,000,000: 12%
- Over €20,000,000: 5%

Note: Numbers do not add up to 100% due to rounding.

Figure 4: Distribution of family businesses by age in years

- 0 to 10: 6%
- 11 to 20: 20%
- 21 to 50: 69%
- Over 50: 5%

Figure 5: Distribution of family businesses by leading generation

- First generation: 58%
- Second generation: 37%
- Third generation: 3%
- Fourth generation or younger: 2%
Important elements of the success and management of family businesses include new, quality products and services and the accumulation of new and different knowledge and skills, as well as a close examination of suppliers’ conditions and prices.

Strategy formulation differentiates family businesses from other companies\textsuperscript{10}. Strategy formulation occurs where family, business and ownership interests\textsuperscript{11} intersect. Entrepreneurship at the organizational level can be categorized into new ventures, new businesses, product/service and process innovation, self-renewal risk taking, proactiveness and aggressive competitiveness\textsuperscript{12}. These can be important for the growth\textsuperscript{13} of enterprises, regardless of their type or size.

There are specific cases of entrepreneurs, enterprises\textsuperscript{14} and family businesses\textsuperscript{15} in Slovenia that have highlighted some orientations, activities and paths to business success.

The factors that provide the greatest contribution to business success are:

- Emphasis on high quality products: 47%
- Cost control: 36%
- Established trademark and loyalty: 34%

Plans for the growth of family businesses are oriented towards:

- New products and services: 57%
- Increasing market share: 47%
- New territories: 38%

When questioned about which aspects of business in new markets represent the biggest challenges, 34\% of respondents stated that they only operate in Slovenia. The remainder indicated:

- Access to a qualified local workforce: 23%
- Unfamiliarity with local rules and regulations of business operation: 21%
- Supply chain related problems: 20%
Success and management

Figure 6: Factors that contribute most to business success

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on high product quality</td>
<td>47%</td>
</tr>
<tr>
<td>Cost control</td>
<td>36%</td>
</tr>
<tr>
<td>Established brand recognition and customer loyalty</td>
<td>34%</td>
</tr>
<tr>
<td>Flexible, focused leadership</td>
<td>30%</td>
</tr>
<tr>
<td>Long-term perspective of governance</td>
<td>26%</td>
</tr>
<tr>
<td>Focus on core business (rather than diversification)</td>
<td>22%</td>
</tr>
<tr>
<td>Unique / niche / innovative products</td>
<td>18%</td>
</tr>
<tr>
<td>Focus on sustainability and social responsibility</td>
<td>15%</td>
</tr>
<tr>
<td>Alignment of owner and management interests</td>
<td>14%</td>
</tr>
<tr>
<td>Easy access to finance</td>
<td>8%</td>
</tr>
<tr>
<td>Superior employee management</td>
<td>7%</td>
</tr>
</tbody>
</table>

Figure 7: Factors that encouraged larger changes in family business leadership

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>New/different knowledge and skills required</td>
<td>32%</td>
</tr>
<tr>
<td>Introduction of new/different products</td>
<td>26%</td>
</tr>
<tr>
<td>New family members coming into the company</td>
<td>26%</td>
</tr>
<tr>
<td>No changes made</td>
<td>24%</td>
</tr>
<tr>
<td>Financial constraints</td>
<td>16%</td>
</tr>
<tr>
<td>Family members leaving the company</td>
<td>11%</td>
</tr>
<tr>
<td>Non-family member coming into significant management position</td>
<td>9%</td>
</tr>
<tr>
<td>Set up family office</td>
<td>4%</td>
</tr>
<tr>
<td>Key non-family leading person leaving the company</td>
<td>3%</td>
</tr>
</tbody>
</table>
Figure 8: What has been done for the improvement of efficiency of the company in the past three years?

- Revisited supplier terms and pricing: 45%
- Introduced better knowledge management, sharing processes: 35%
- Linked pricing decisions to real-time market reactions: 25%
- Installed more efficient back office processes: 21%
- Not made any major changes: 17%
- Requested and actioned improvement suggestions from employees: 14%
- Involved outside consultants: 8%
- Moved the supply chain nearer to the end-market: 6%
- Other: 6%
- Hired new management: 5%

Figure 9: Perceived advantages in comparison to the competition

- Quality of products and services: 78%
- Employee health and safety: 41%
- Sustainable supply chains: 34%
- Local community relations: 30%
- Energy efficiency: 21%
- Corporate governance: 16%
- Investments with societal and environmental impacts and corporate responsibility: 13%
- Environmental technology: 10%
- Green building (eco houses): 8%
Figure 10: Orientation of plans for growth of family businesses

- New products/services: 57%
- Increasing existing market share: 47%
- New countries: 38%
- Increasing capacity: 36%
- Capital investment: 15%
- Related industries (in which you are already active): 14%
- New industries: 7%

Figure 11: Degree of new technology impact on business operations and the positive impact of new technology on revenues (in terms of higher efficiency and innovation)

- From 0% to 25%: 64%
- Over 25% to 50%: 26%
- Over 50% to 75%: 8%
- Over 75% to 100%: 2%
Figure 12: Perceived impact of changing market trends on the company

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tighter customer targeting</td>
<td>50%</td>
</tr>
<tr>
<td>Market expansion</td>
<td>39%</td>
</tr>
<tr>
<td>New/different sales approach</td>
<td>39%</td>
</tr>
<tr>
<td>Use of new technologies</td>
<td>30%</td>
</tr>
<tr>
<td>More emphasis on innovation</td>
<td>22%</td>
</tr>
<tr>
<td>Proactive competitive pricing</td>
<td>18%</td>
</tr>
<tr>
<td>Higher marketing budget</td>
<td>14%</td>
</tr>
</tbody>
</table>

Figure 13: Which of the following aspects of business in new markets represent the biggest challenge for you?

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company operates only in Slovenia</td>
<td>34%</td>
</tr>
<tr>
<td>Accessing local skilled workforce</td>
<td>23%</td>
</tr>
<tr>
<td>Understanding local business rules/ regulations</td>
<td>21%</td>
</tr>
<tr>
<td>Supply chain issues</td>
<td>20%</td>
</tr>
<tr>
<td>Transfer pricing</td>
<td>19%</td>
</tr>
<tr>
<td>Understanding local markets and customer needs/preferences</td>
<td>18%</td>
</tr>
<tr>
<td>Language and culture differences</td>
<td>18%</td>
</tr>
<tr>
<td>Changing technologies</td>
<td>15%</td>
</tr>
</tbody>
</table>
Characteristics of family business managers

Most family business managers are male, experienced, the majority owners of the company, and had an active role in its founding. A large proportion of family business managers have parents with entrepreneurial experience, were brought up in a family business environment and have entrepreneurs as role models, but did not grow up in a positive economic environment for entrepreneurship.

The family entrepreneurship experience can be considered one of the key sociological background elements in future management. It can play a role in new managers’ business decisions, since norms of family business ownership, values and traditions can be transferred to the next generation.

The family environment can also be an important element in the development of an entrepreneurial career. Fathers of both male and female entrepreneurs are often themselves entrepreneurs or self-employed. The importance of a local entrepreneurship support background is important, for example, in terms of mentors, role models, shaping feasibility and desirability, opportunity and necessity perceptions. Entrepreneurial family members as support and role models can be important for firm start-up, development, internationalization and growth.

The demographic and background characteristics of family business managers are as follows:

- **62%** Male managers
- **38%** Female managers
- **39%** Managers of the largest age group are more than 50 years old
- **68%** Well over half of family business managers are majority owners
- **38%** The manager’s main role in the start-up of the company was as one of the founders or the sole founder (31%)
- **78%** Family businesses are largely led by managers who have parents with entrepreneurial experience (father 54% and/or mother 24%).

"The most important thing is to have willpower and not give up at the slightest obstacle."

Vladimir Polič
P&P Group

12 | Family business characteristics in Slovenia
Figure 14: The family business manager’s gender

- Male managers: 62%
- Female managers: 38%

Note: Numbers do not add up to 100% due to rounding.

Figure 15: The family business manager’s age

- Over 50: 39%
- 41 to 50: 31%
- 31 to 40: 24%
- 21 to 30: 6%

Figure 16: The family business manager’s years of working experience

- Over 30: 35%
- 21 to 30: 31%
- 11 to 20: 24%
- 6 to 10: 8%
- Under 5: 3%

Note: Numbers do not add up to 100% due to rounding.
Characteristics of family business managers

Figure 17: The family business manager's role in the ownership of the company

Without ownership: 17%
Minority owner: 15%
Majority owner: 68%

Figure 18: The family business manager's role in the start-up of the company

Cooperated in the founding, but without ownership: 9%
No role in the firm's founding: 22%
One of the founders: 38%
The only founder: 31%

Figure 19: The family business manager's characteristics

The family business manager's father as an entrepreneur: 39% (Untrue), 7% (Somewhat true), 54% (True)
The family business manager's mother as an entrepreneur: 61% (Untrue), 15% (Somewhat true), 24% (True)
The family business manager's upbringing in the family business environment: 37% (Untrue), 27% (Somewhat true), 36% (True)
Entrepreneurs as the family business manager's role models: 13% (Untrue), 57% (Somewhat true), 30% (True)
Upbringing in an environment in which entrepreneurship was considered an opportunity: 24% (Untrue), 70% (Somewhat true), 6% (True)
Upbringing in an environment in which entrepreneurship was considered a necessity: 39% (Untrue), 60% (Somewhat true), 2% (True)
Upbringing in a positive environment for entrepreneurship: 19% (Untrue), 70% (Somewhat true), 11% (True)

Key:
- Untrue
- Somewhat true
- True

Note: Numbers may not add up to 100% due to rounding.
Transfer to the next generation

The key elements of successful transfer of a family business to the next generation are an assessment of abilities, an early start, ensuring continuity, and fair and equal treatment of individuals. Managers tend to exclusively be family members; there is a relatively low percentage of leading employees who are not. The loyalty of this latter group is assured mainly by increased involvement and participation in decision-making, treatment as a family member and non-financial benefits.

The family system emphasizes loyalty and concern for the welfare of the family members\(^{25}\). Emotions exert a greater influence compared to business systems that are more rational and results-oriented\(^{26}\). Family business succession is one of the most important topics in family business research\(^{27}\). Factors associated with effective transitions can be organized into three general categories\(^{28}\):

1. **Preparation level of heirs:** formal education; training; work experience outside firm; entry-level position; years working within firm and/or industry; motivation to join firm; self-perception of preparation.

2. **Relationships among family and business members:** communication; trust; commitment; loyalty; family turmoil; sibling rivalry; jealousy/resentment; conflict; shared values and traditions.

3. **Planning and control activities:** succession planning; tax planning; use of outside board; use of family business consultants/advisors; creation of a family council.

“I remember my father’s advice that I should not ask others what they have done wrong, but rather focus on finding the solutions.”

Boštjan Šifrar
Sibo Group\(^{24}\)
Family businesses tend to plan to transfer the company to the next generation (82%). The most important factors for a successful transfer are:

- **63%** An assessment of the abilities of potential family successors
- **60%** Making an early start on the transfer
- **50%** Ensuring continuity of business operations

An analysis of management structures shows that family businesses tend to have:

- **40%** Exclusively family members as managers
- **38%** A low proportion (a quarter or less) of leading employees who are not family members
- **14%** To a lesser extent, a higher percentage of non-family managers

Measures for assuring the loyalty of managers who are not family members include:

- **43%** Increased involvement in decision-making
- **35%** Treatment as a family member
- **29%** Non-financial benefits

Figure 20: Intention to transfer the company to the next generation

- **82%** Yes
- **18%** No
Transfer to the next generation

Assess capability of potential family successors 63%
Start the succession process early 60%
Guarantee continuity in business 50%
Treat all family members fairly and equally 46%
Involve all family members 41%
Follow a structured process 14%
Other 9%

Figure 21: The most important factors for a successful transfer

All leading personnel are family members 40%
1% to 25% 38%
Over 25% to 50% 9%
Over 50% to 75% 7%
Over 75% 7%

Note: Numbers do not add up to 100% due to rounding.

Figure 22: The percentage of leading employees who are not family members

Greater levels of involvement/sharing decision-making 43%
Treat them like a family member 35%
Non-monetary benefits 29%
Compensation levels above industry standards 16%
Deferred compensation packages 10%
‘Global workforce’/international assignment opportunities 4%

Figure 23: Measures for assuring the loyalty of managers who are not family members
Family businesses tend to engage in philanthropic or charitable activities and support socially responsible actions. The target areas are alleviating poverty and supporting education, as well as supporting art, culture, health and medicine. The largest group of respondents has implemented no measures to help business operations become more efficient in terms of sustainable development, while the next largest has introduced new, refreshed company values.

Entrepreneurship is increasingly recognized as an important channel for bringing about the transformation of sustainable products and processes. Family businesses may have a built-in desire to uphold their image and to protect the reputation of the family. Therefore, they are likely to have greater awareness of citizenship and corporate social responsibility than non-family businesses. A combination of corporate social responsibility perspectives (economic benefits, conformity to ethical and legal expectations, philanthropic and community involvement) can help to explain the behavior and relationships of family businesses toward various constituency groups.

Family businesses mostly engage in philanthropic or charitable activities and support socially responsible actions within and/or outside the company (83%). Their target areas of philanthropic or charitable activities are:

- 57% Alleviating poverty
- 42% Education
- 38% Art and culture

When asked which measures they have taken in the past three years to help business operations become more efficient in terms of sustainable development, the two largest groups responded:

- 29% None
- 26% Introduced new, refreshed values of the company
Figure 24: Engagement in philanthropic or charitable activities and support for socially responsible actions within and/or outside the company

83% Yes
17% No

Figure 25: Target areas of philanthropic or charitable activities

- Poverty alleviation: 57%
- Education: 42%
- Arts and culture: 38%
- Health and medicine: 28%
- Women's rights and inclusion: 5%
- Biodiversity and wildlife: 3%
- Other: 15%
- Other: 15%

Figure 26: Measures taken in the past three years to help business operations become more efficient in terms of sustainable development

<table>
<thead>
<tr>
<th>Measure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduced new/revised corporate value statement of your company</td>
<td>26%</td>
</tr>
<tr>
<td>Introduced green technologies (clean tech)</td>
<td>17%</td>
</tr>
<tr>
<td>Purchased sustainable raw goods from local resources</td>
<td>14%</td>
</tr>
<tr>
<td>Reduced your global footprint against climate change issues</td>
<td>14%</td>
</tr>
<tr>
<td>Reviewed your supply chain for sustainability and humane practices</td>
<td>13%</td>
</tr>
</tbody>
</table>
The tax affairs of family businesses are generally handled by external contractors, an internal accounting department or through tax advice from an external consultant.

Families can avoid a significant amount of tax liability with proactive tax planning\textsuperscript{15}. They may be more concerned about the company reputation and consequently less aggressive in tax-avoidance than non-family businesses\textsuperscript{36}.

The tax affairs of family businesses are generally handled by external contractors, an internal accounting department or through tax advice from an external consultant. Families can avoid a significant amount of tax liability with proactive tax planning\textsuperscript{15}. They may be more concerned about the company reputation and consequently less aggressive in tax-avoidance than non-family businesses\textsuperscript{36}.

### Tax and accounting functions are handled by:

<table>
<thead>
<tr>
<th>Function</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>An external contractor</td>
<td>42%</td>
</tr>
<tr>
<td>Within the company accounting department</td>
<td>34%</td>
</tr>
<tr>
<td>External consultants giving tax advice</td>
<td>23%</td>
</tr>
</tbody>
</table>

The incentive for research and development in the context of tax on the income of legal entities is not considered significant for the majority of companies (53%).

Figure 27: How significant for you as an incentive is research and development in the context of tax on income of legal entities?

<table>
<thead>
<tr>
<th>Importance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>17%</td>
</tr>
<tr>
<td>Important</td>
<td>30%</td>
</tr>
<tr>
<td>Not important, we do not use</td>
<td>53%</td>
</tr>
</tbody>
</table>

### Financing

Among funding options, family businesses typically use retained profits and bank loans first. Finance for restructuring is mainly used for new technology, growth in an existing market, innovation, new products and new markets. The most usual timeframe for returns on investment is three to five years.

Financing is usually a key concern of family and non-family businesses\textsuperscript{38}. Important issues in financing can be assessed from three viewpoints: control, liquidity and capital needs\textsuperscript{39}. Personal preferences concerning growth, risk, and ownership-control may be the driving forces of financing decisions of family businesses\textsuperscript{40}.
“I went into the business with a lot of optimism, started unburdened, did not think too much about risk, but was still cautious with investments... Do not make decisions solely for money; do it for you and success will come”

Jerneja Kamnikar
Vivo Catering

Among the various funding options available, family businesses would use:

- **51%** Retained profits
- **26%** Bank loans
- **16%** Family financing

If the company was restructured, it would use additional finances for new technology, investment in growth in an existing market, development of innovation and new products and investment in new markets.

**Figure 28: The use of additional finances if the company is restructured**

- New technology: 40%
- Support growth in current market: 34%
- Developing innovation/new products: 33%
- Support investment into new markets: 32%
- New staff: 18%
- Mixed investments: 11%
- Relocation: 10%
- Mergers and acquisitions related investments: 7%
- Not applicable: 7%

**Figure 29: Usual timeframe for return on investment**

- In 1 to 2 years: 11%
- In 3 to 5 years: 56%
- In 6 to 10 years: 28%
- In more than 10 years: 5%
Financial indicators

Family businesses represent a significant contribution to sales, added value and employment to the Slovenian economy. The average family business had €2.54 million revenues, €0.77 million added value and 20 employees.

Several researchers have examined the financial performance of family businesses. Financial analysis is important, because through the finance function all processes in the company are funded. An analysis of profit and loss may offer a quick insight into a company’s situation. Several financial indicators can be used for analysis, depending on its needs and purpose.

A correct interpretation of a company’s performance is only possible by taking into consideration a larger number of indicators, because they can be interdependent, complementary and offer different interpretations. In previous research, 111 different financial indicators were presented in detail, together with equations. Some of these financial indicators were proven to predict the insolvency of companies and were also used in this study.

Data based on the subsample of incorporated businesses showed that those under the strategic direction of a family represent a majority of all categories as follows:

The average family business in 2014

<table>
<thead>
<tr>
<th>The % of the contribution of the family businesses in incorporated businesses</th>
<th>The average family business in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>69.1</td>
</tr>
<tr>
<td>Total sales</td>
<td>69.1</td>
</tr>
<tr>
<td>Sales in Slovenia</td>
<td>72.0</td>
</tr>
<tr>
<td>Sales abroad in the EU</td>
<td>65.3</td>
</tr>
<tr>
<td>Sales abroad outside the EU</td>
<td>61.9</td>
</tr>
<tr>
<td>Added value</td>
<td>67.2</td>
</tr>
<tr>
<td>Net profits</td>
<td>80.4</td>
</tr>
<tr>
<td>EBITDA</td>
<td>77.6</td>
</tr>
<tr>
<td>Total assets</td>
<td>63.5</td>
</tr>
<tr>
<td>Equity capital</td>
<td>57.0</td>
</tr>
<tr>
<td>Employees based on working hours</td>
<td>69.7</td>
</tr>
</tbody>
</table>

The average family business was profitable (return on sales 3.6%, return on assets 4.2%, return on equity 6.1%) and international (16.9%). Our research tells us that there are no significant differences in financial indicators between family and non-family businesses. The most significant difference was found in labor costs per employee (family businesses €22,544 and non-family businesses €28,654).

Highlights

- 69% of total sales is contributed by family businesses
- 67% of added value is contributed by family businesses
- 70% of employment is contributed by family businesses
### Financial and tax aspects

#### Figure 30: Productivity and labor costs per employee in family businesses (in €)

<table>
<thead>
<tr>
<th></th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor costs per employee</td>
<td>22,544</td>
</tr>
<tr>
<td>Value added per employee</td>
<td>36,897</td>
</tr>
<tr>
<td>Total revenues per employee</td>
<td>142,666</td>
</tr>
</tbody>
</table>

#### Profitability and internationalization of family businesses

- **Return on sales**: 3.6%
- **Return on assets**: 4.2%
- **Return on equity**: 6.1%
- **Degree of internationalization**: 16.9%

#### Indicators of financing and investment

- **The proportion of financial liabilities to banks in liabilities**: 12.1%
- **The share of the accumulated profits in liabilities**: 27.6%
- **The rate of short-term financing**: 38%
- **The rate of fixed assets financing (investing)**: 39.3%
- **The rate of debt financing**: 54.1%

#### Indicators of economic performance, horizontal financial structure and short-term activity

- **The total efficiency ratio**: 1.04
- **The rate of labor costs in operating revenues**: 0.27
- **The ratio between financial expenses from financial liabilities and sales**: 0.01
- **Current ratio**: 2.28
- **Quick ratio**: 0.77
- **The coefficient of settling current operating liabilities**: 5.77
Family businesses are enormously important for any economy. Our study used survey results to present details of Slovenian family businesses, according to six main categories. Despite some limitations in its design, sample, data collection and analysis methods, the study provided some new, interesting findings on the characteristics of family businesses.

Key factors that contribute to the success of family businesses are:

- High quality products and services
- Controlling costs
- Established trademark and loyalty
- Adaptable and focused leadership
- Long-term perspective of governance

For the improvement of their efficiency, companies can focus on the:

- Examination of conditions of suppliers and prices
- Introduction of better management of knowledge sharing processes
- Coordination of prices with changes in the market

To achieve or maintain competitive advantages, companies may like to consider:

- Improving the quality of products and services
- The health and safety of employees
- Sustainable supply chains

Since family business managers tend to operate in family businesses because of inheritance or family business tradition, it may be advisable to perpetuate this transfer. To ensure a successful transfer it is important to:

- Assess capabilities
- Start early
- Ensure continuity
- Treat individuals fairly and equally

The loyalty of leading employees who are not family members may be assured with increased involvement in decision-making, treatment as a family member and non-financial benefits. It may be beneficial to engage in philanthropic or charitable activities and support socially responsible actions, as well as to introduce new, refreshed social responsibility-related values in the company. Family businesses may like to consider being careful in their fiscal approach in order not to jeopardize long-term prospects and the continuance of the family tradition.

The most common funding options are the use of retained profits and bank loans, with additional finances mainly used for investment in entrepreneurial activities related to restructuring through new technology, growth in an existing market, innovation, new products and new markets.
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