Prepared by AmCham member

Family businesses are confident

The inaugural KPMG Family Business Barometer indicates that family businesses in the EU remain confident in their ability not only to survive the current economic conditions, but also to take advantage of opportunities for continued growth, investment, and success.

Family businesses constitute a substantial part of existing European companies and have a significant role to play in the strength and dynamism of the European economy. They can be small, medium-sized, or large, listed or unlisted. Family businesses in Europe have been widely equated to Small and Medium-Sized Enterprises (SMEs) in public and policy discussions.

Family businesses are confident about their future, indicating that they have a positive outlook for their business for the next 6-12 months. Their ability to adapt to the changing environment has ensured their continued contribution to regional economies and the EU as a whole. This is the major finding of the first survey among family businesses in 14 EU countries (Slovakia was not included) called KPMG's European Family Business Barometer[1].

According to the survey of family businesses, the future is about more than just survival, it's about continued sustainable growth (see Chart): 43% of survey respondents reported that their turnover has increased during the last six months and 26% indicated that they have maintained turnover; so the future for many appears bright. In addition, unlike many sectors, family businesses have been bucking the trend of disinvestment with over 76% respondents either increasing or maintaining the size of their workforce; 63% considering investing in activity in countries beyond their own.

The key issues family businesses are facing in the current market are a squeeze on profitability, decline in sales, and the weight of administrative burdens. The Business Barometer suggests that respondents see significant room for improvement in regard to the regulatory framework in which family businesses operate.

Respondents also noted that greatest impact on the future success of their business would be simpler tax rules (62% requested); and 57% highlighted simplification of labor market regulations, including more flexible employment arrangements.

According to the study, investment continues to be high on the agenda of many family businesses. The results suggest that investment in core business continues to be the priority for almost half (48%) of respondents. However with 26% of respondents indicating that they will be investing in internationalization, the barriers to growth outside of a single market are no more.

Successful businesses are likely to invest in a mix of investments and divestments reducing their exposure to risk of investing in a single approach.

The future of the family business market in the EU appears to no longer be firmly fixed in the domestic market with 63% of respondents surveyed indicating that they are considering overseas investment opportunities. The ability for family businesses to enter overseas markets while maintaining or increasing their presence in the domestic market is likely to have contributed to their continued success. Only 23% of respondents indicated that they expect to see their growth supported by their domestic market only.

Family businesses, which form the majority of the small and medium-sized enterprises (SMEs), appear to recognize that adaptability is an important part of their growth strategy, and as such trading in multiple jurisdictions is something to be encouraged. Where businesses aren't entering foreign markets, it appears that almost half of those surveyed don't due to lack of familiarity with the market, financing to take the first step, or lack of public support.

Despite that Slovakia was not involved in the Barometer this time, it can be assumed that the findings would be close to those in the Czech Republic or Hungary. These countries have similar business environments and their companies are our traditional competition on the European market.

In Slovakia, SMEs employ almost 70% of the workforce and generate roughly 40% of the GDP (source: SARIO). Slovak products and services are particularly prized abroad for their quality. But according to findings of the Export Barometer 2014 by Sberbank Slovensko, currently less than half of Slovak SMEs export. Many businesses stagnate as they focus only on the local market, which has limited size. The Export Barometer showed that Slovak non-exporters do not consider their products and services suitable for export although they are active in the same sectors as exporters. Do Slovaks have a lack of confidence? Many success stories of our companies show that there is no reason to be afraid to think big.

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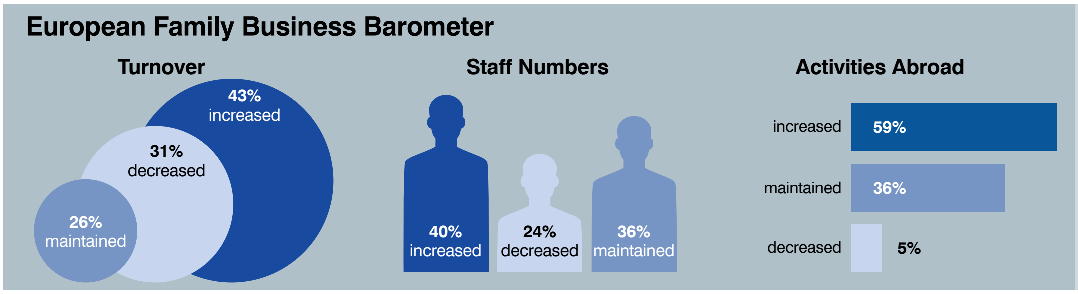

1 European Family Businesses (EFB) and KPMG have joined forces to create a unique Barometer to measure the confidence levels of the members of the EFB, and the opportunities and challenges impacting on their operations in the short, medium, and long term. The Barometer is based on the responses of an online survey from 600 finished questionnaires which were received from EFB Members across 14 European countries. Please find more about KPMG Family business practice at www.kpmgfamilybusiness.com