

Meeting of the Group of Experts on Business Registers
- Jointly organised by UNECE, Eurostat and OECD

Paris, 27 – 29 September 2017

Rico Konen
Statistics Netherlands
Session:

*Production of business demography statistics and other statistics
by linking the SBR with other data sources*

Family Businesses in the Netherlands

Abstract

It's not a big secret anymore that family businesses (FBs) play an important role in the society. Each country, state, or any rural area has its own well known FB which is famous and plays an important role in the (local) economy. In the Netherlands some large multinational companies like Heineken or Philips started as a rather small family business, where the family name is still part in the name of their brand. But FBs are not only important because of their contribution to the economy, but also because of the role the family-members have in the company for their personnel, their clients and for the community they are operating.

FBs are often striving to have their company continued by relatives. Therefore the members of the family have to plan in advance whatever it takes to prepare the next generation taking over the business. But what are other typical characteristics to define a family businesses and what characteristics separate them from other kinds of businesses? Are they more successful or do they really perform better as non-FBs? Or do they survive a longer period in an economy as their counterparts, because they have taken arrangements that prevent them from bankruptcy or being taken over by other companies?

SN would be able to answer most of these questions, if a FB could be characterised in the Dutch SBR. In this respect SN identified FBs by linking administrative data to the statistical units in the SBR by developing a 'satellite' register for the detection. The advantage of this approach is the possibility to produce statistics on FBs in the Netherlands, e.g. by

- *Producing Business Demography Statistics on FBs and non-FBs*
- *linking information from production statistics and other sources*
- *examining the structure of FBs versus non-FBs*
- *drawing a sample to collect extra information on FBs*

This paper describes the sources and the methodology to detect FBs in the Dutch SBR and present the first results on FBs in the Netherlands.

1. Introduction

Family Businesses (FBs) play an important role in the economies of the member states of the European Union (EU). In this respect the EU recognizes FBs as a key factor for different reasons, like their:

- Contribution to job retention
- Social responsibility towards their employees and the environment
- Role in maintaining jobs in rural and less-favoured areas
- Role in supporting innovation and entrepreneurship
- Role in female emancipation to get financially independent
- Contribution in entrepreneurship and start-ups
- Transnational dimension
- Flexibility towards changes in the eco-social environment

In order to measure the importance of FBs, it is important to research best practices in some member states of the EU. In this respect the programme for the *Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME)* called for proposals for credible, comparable and systematic information and indicators on the role of FBs in national economies. Statistics Netherlands was awarded a grant for its proposal to enable the production of relevant information on family businesses in the Netherlands.

In this paper the importance of FBs and the methodology to detect FBs in the Dutch SBR is explained in more detail.

2. Approach Statistics Netherlands

In 2016 Statistics Netherlands published their first indicators on Dutch Family businesses:

On the 1st of January 2016 there exist more than 275 thousand Family businesses in the Netherlands which employ more than one person. Together they realised 343 billion euro of turnover in 2015. This is almost 27 percent of the turnover of all enterprises in the non-financial businesses which employ more than one person.

These are some results published in the publication “Familiebedrijven in Nederland¹”. To publish these kind of indicators for the Netherlands, SN had to organize their datacollection on family businesses:

- As a first step a method was implemented to characterize each enterprise in the Dutch Statistical Business Register (SBR) as a FB or not.
- As a second step indicators on FBs were produced by aggregate financial information that was already linked to the SBR (e.g. to produce SBS-indicators²) to produce indicators restricted to FBs.

¹ https://www.cbs.nl/-/media/_pdf/2017/16/2017ep23%20familiebedrijven%20in%20nederland.pdf

Special about this approach is that the datacollection methodology is not based on sampling and sending out new questionnaires, but by using the SBR and extra information available in administrative registrations and combine this with data already collected. The advantage is that enterprises are not bothered with new administrative burden.

This paper describes the general approach used to reach the goal of this study. It specifies the definition of a FB, the data sources used to characterize a FB and some results of the study.

2.1 Definition of family businesses

Many countries have a national association to promote the interests of their FBs. Some of those are also member of the EU federation, called the EFB³. EFB stands for European Family Businesses. It is the EU federation of national associations representing long-term family owned enterprises, including small, medium-sized and larger companies.

In 1997, the “Groupement Européen des Enterprise Familiales (GEEF)”, defined the concept of a FB that was officially adopted by the European Commission⁴. This definition includes FBs which have not yet gone through the first generational transfer. It also covers sole proprietors and the self-employed, providing there is a legal entity which can be transferred (European Commission, 2009, p. 10). However, in the Netherlands these entities are registered in the Trade Register as a legal entity which can be succeeded or transferred. But SN considers the knowledge and skills of a ‘self-employed’ only as ‘transferrable’ when there is at least one other person employed in the EG. Therefore EGs with one person employed are excluded from being an official family Business.

Hence an Enterprise Group in the Dutch SBR is characterized as a FB, if:

1. The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children’s direct heirs.
2. The majority of decision-making rights are indirect or direct.
3. At least one representative of the family or kin is formally involved in the governance of the firm.
4. Listed companies meet the definition of family enterprises if the assets and/or the capabilities of the enterprise are transferrable.

² <http://ec.europa.eu/eurostat/web/structural-business-statistics>

³ <http://www.europeanfamilybusinesses.eu/>

⁴ <http://www.europeanfamilybusinesses.eu/family-businesses/definition>

2.2 Relevant sources used to identify a FB

The basic idea to detect a FB in the SBR is to link extra administrative data to the existing administrative and statistical units stored in the SBR. In this way a ‘satellite’ was created to characterize a FB. The definition in 2.1 provides several indicators to characterize a FB.

SN used the following sources to develop a ‘satellite’ of FBs.

Source	Information
Statistical Business Register (SBR)	The Dutch SBR consists of the Enterprise Group (EG)=(>=1LU), Enterprise (EN), Local Units (LOU) and their corresponding Legal Units (LU).
Trade Register	The TR maintained by the Dutch Chambers Of Commerce is the administration of (all) legal units, legal liability (legal form) and their economic activities. Linked to a legal person are characteristics like the identifications (BSN) and the surnames of natural persons which are single shareholder, boardmember of the boards of limited liabilities or the partners in a partnership.
Payroll tax register	<p>The payroll tax register from the Dutch Tax and Customs Administration consists of information about wage taxes and social security contributions. The register also contains information about the income category, including ‘board member <i>with</i> social security insurance for employees’ and ‘board member <i>without</i> social security insurance for employees’. The Dutch tax authorities use income code 13 and 17 to describe these income categories. In the remaining part of this report board members without social security insurance for employees are referred to as board members with ‘income code 17’.</p> <p>In the case of private and public companies the eligibility for social security of a director under Dutch laws depends on the relation of authority between himself and the enterprise. A relation of authority is considered not to exist if:</p> <ul style="list-style-type: none"> – The director, possibly with his or her spouse, owns such a number of shares, whether or not of a particular kind, that the director, either alone or together with his or her spouse, can decide on his/her resignation. – Two thirds or more of the shares, whether or not of a particular kind, are held by the director, possibly with his or her spouse² and/or close relatives up to the third degree, so that the director, together with his or her spouse and/or close relatives up to the third degree can decide on his/her resignation. – All the shares are held by the directors, who, as a shareholder, represent an equal or almost equal part of the capital of the enterprise.
Management of relations of tax authorities	The Dutch Tax and Customs Administration maintains a database with information about director-major shareholders. These persons are member of the board of directors of an enterprise and (possibly with their spouse and adult children) own at least 50% of the shares. Legal persons with a board member who was a director-major shareholder were linked to the SBR.

Satellite Self-Employed Entrepreneurs (SSEE)	The SSEE stores the percentage of shares held by major shareholders in a legal unit and the BSN of these shareholder.. This information is derived from the tax declarations for company tax. The legal units in the SSEE are linked to the legal units in an EG by their RSIN.
Household register	The household register identifies members of a household and can be used in addition to the Alliance register to detect to people who live together like husband and wife, but chose not to marry of register their relationship.
Alliance register	The alliance register contains present and past marriages and registered partnerships between 2 adults (typically 1 male and 1 female person).
Child-parent register	The child-parent register stores the family relation between a child and a parent.

2.3 Identifying family businesses using registers

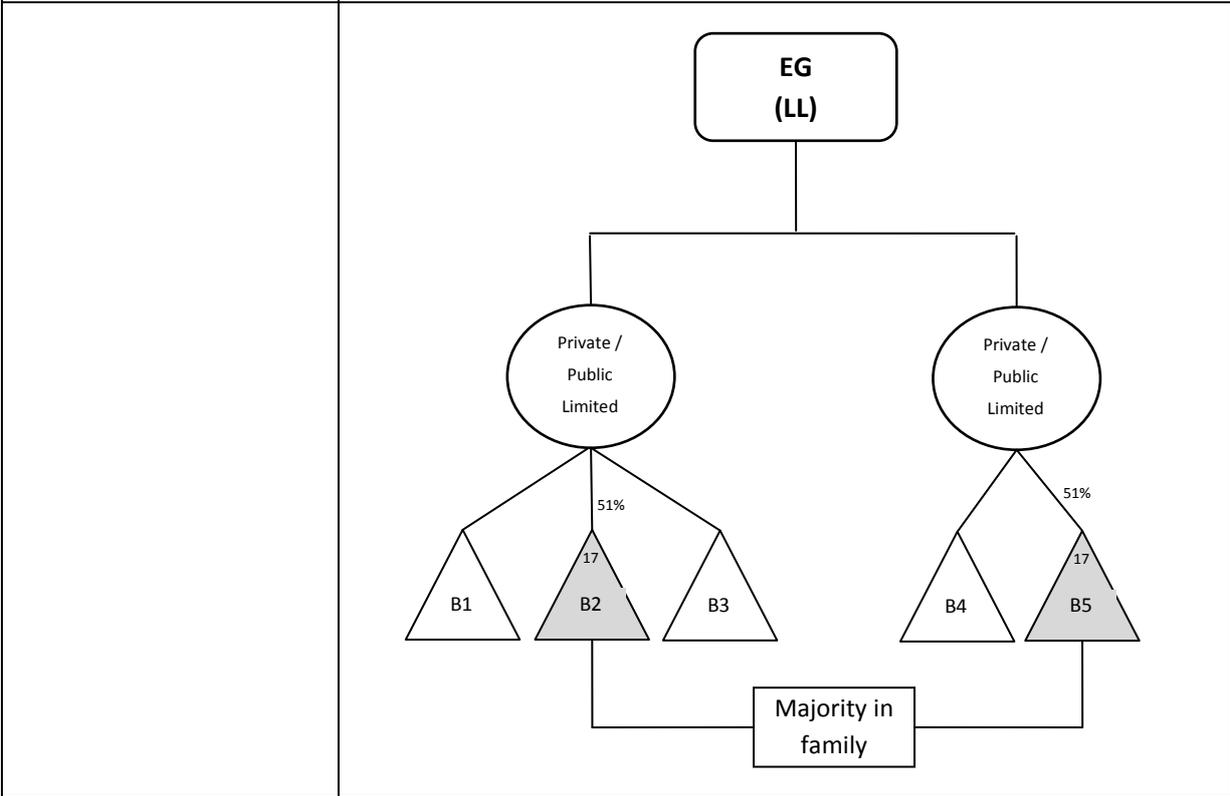
The basic idea to detect a FB in the SBR is to link extra administrative data to the existing administrative and statistical units stored in the SBR. In this way a ‘satellite’ was developed to characterize a FB. The definition in 2.1 provides several indicators to characterize a FB.

Methodology to detect a FB:

Characteristics of an EG	Detection of a FB
FB identified if EG is a private or public limited company (Legal form = LL Limited Liability)	<p>Each EG in the SBR which is a private or a public limited, is linked to the TR to find the board members and the single shareholders. Additionally board members are found with the payroll tax register of legal units belonging to an EG. Then three methods are applied to detect FBs. An EG is a FB if one of the following detection method is fulfilled.</p> <ol style="list-style-type: none"> 1. If an EG in the SBR has exactly one person that is both single shareholder and board member in a legal unit and this legal unit is the top legal unit of the EG than the EG is identified as a FB. If there are more than one persons that are both single shareholder and board member in at least one legal entity of the EG, then the EG is identified as a FB if the majority of natural persons seems to be family. Initially the family relation was simply detected by comparing the family names (as registered in the trade register) of the single shareholders / board members and their spouses. Later on we decided to establish family relations in a more reliable way by using the Child-parent register and the Alliance register. 2. EGs with one board member with income code 17 are identified as a FB on the condition that the board member is on the payroll of a legal unit that the top legal unit of the EG. After all when there is just one person in the EG with ‘income code 17’, which implies that this person (alone or together with family) owns the majority of the shares. <p>In EGs with two or more board members with income code 17 a family</p>

relation between the board members needs to be determined to identify a FB by comparing the family names.

3. A set of tax declarations with the majority of shares owned by one person or family from the SSEE is linked to the EGs in the SBR. This could result in and EG having more than one legal unit with one person or family owning the majority of shares in this legal unit. In this case the additional requirements is made that one person or family must have the majority of shares in the top legal unit or must have the majority of shares in all legal units declaring for company tax. If the corresponding EG employs at least two persons the governance involvement by a family member is determined by using the Payroll tax register or the Trade register.



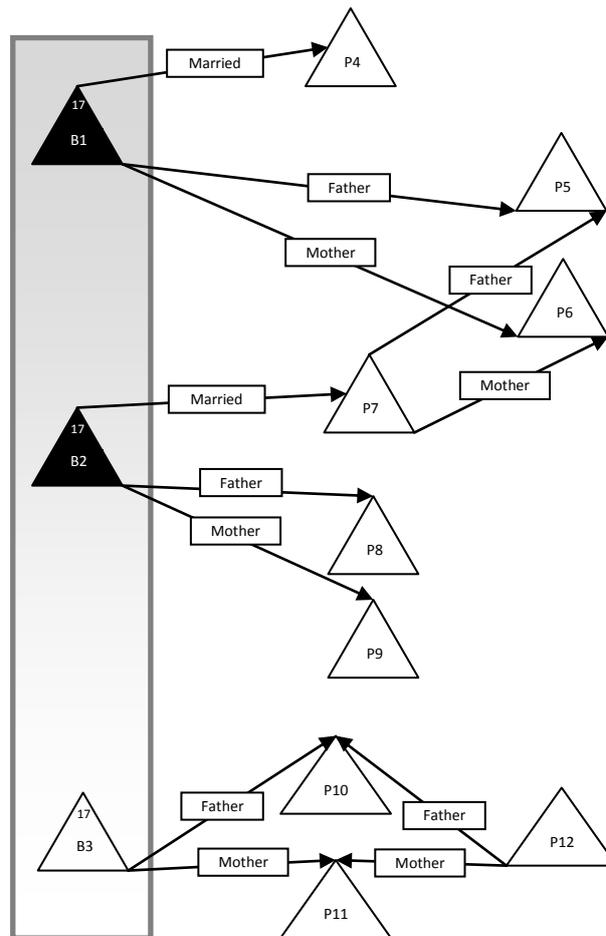
Detection of a family relation for Limited Liabilities

Family relations in a limited liability are detected by using the Child-Parent Register, Alliance Register and the Household Register restricted to natural persons with 'income code 17'. Two persons are considered to be family if they have a common parent or great-parent. The word parent in this case also includes the parents of the registered partner, husband or wife. We also included the parents of former registered partners, husbands and wives, persons who used to live together like husband and wife but never registered their relationship (assuming they started the business when the lived together) and persons that have a common child but where never married or never had their relationship registered. The following relations were examined for persons with income code 17:

1. The relation with them selves
2. Their husband or wives

3. Their registered partners
4. Their unregistered partners (common household)
5. Their Divorced partners
6. The other parent of their children
7. Their parents
8. The parents of the persons found in step 1 threw 5
9. The parents of their parents

If any of these related persons has a family relation with strictly more than 50% of the persons with income code 17 involved with 1 EG, then this EG is considered to be an FB.



Example:

B1: Board member EG, married to P4, son of P5,P6

B2: Board member EG, married to P7, daughter in law of P5,P6

B3: Board member EG, son of P10,P11, brother of P12

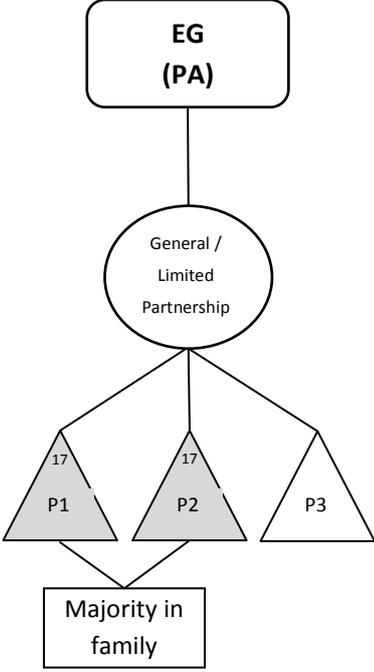
P4: Wife of B1

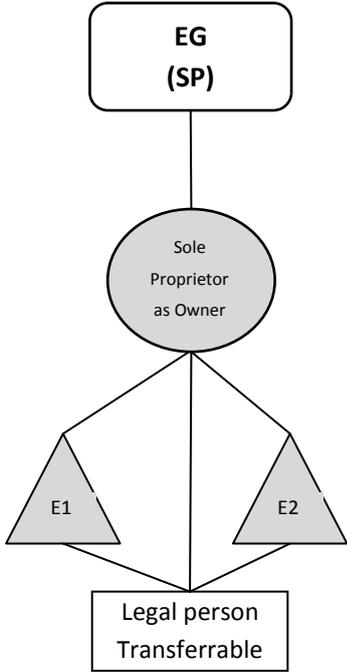
P5: Father of B1,P7

P6: Mother of B1,P7

P7: Husband of B2

P8: Father of B2

	<p>P9: Mother of B2 P10: Father of B3 P11: Mother of B3 P12: Sister of B3</p> <p>Conclusion: B1 and B2 are brother and sister in law from each other => majority of family members in the board of the EG.</p>
<p>Characteristics of an EG</p>	<p>Detection of a FB</p>
<p>FB identified if EG is a general, a limited or a commandite partnership (Legal form = PA Partnership)</p>	<p>Each EG in the SBR which is organized as a partnership, is linked to the TR to link all the partners in the partnership, who are a natural person. Next the family relation has to be detected to identify a FB.</p>
	 <pre> graph TD EG[EG (PA)] --- LP((General / Limited Partnership)) LP --- P1[17 P1] LP --- P2[17 P2] LP --- P3[P3] P1 --- MF[Majority in family] P2 --- MF </pre>
	<p>Detection of a family relation for Limited Liabilities</p>
	<p>Family relations in a partnership are detected by using the Child-Parent Register, Alliance Register and the Household Register. It is not necessary to link the partners to the payroll tax register first. The same method as described for the board members above, is applied to all partners in the partnership to detect a family relationship between the partners.</p>

Characteristics of an EG	Detection of a FB
FB identified if EG is a Sole Proprietor (Legal form = SP Sole Proprietor)	Sole Proprietors which employ at least one other person are identified as a FB. These FBs are extracted directly from the SBR.
	
	Detection of a family relation for sole proprietors
	<p>In the Netherlands, sole proprietorship is a legal form with no legal personality, where exactly one natural person owns the business. Thus, the owner is in the possession of the majority of the decision-making rights. The owner is also entirely liable for all business and capital matters, including personal assets. This makes it highly likely that the owner is formally involved in the governance of the enterprise group. Therefore, sole proprietorship can be regarded as a family business by definition.</p>

3. Results

The application of the methodology to identify FBs as described in chapter 2, resulted in 263.368 different EGs the 1st of January 2015. In the meantime the figures for 2016 also have been published.

Table 1:
Number of Enterprises FBs (#FB) broken down by Legal Form

Identification of FBs on 1.1.2015	#FB (=EG)
LL Enterprises groups identified for private and public limited companies	78.379
PA General partnership where the majority of partners seem to be family because of family names or because they live in the same household	105.763
PA Limited partnerships where the majority of partners seem to be family because of family names or because they live in the same household.	22.180
PA Commandite partnerships	1.411
SP Sole proprietorships	55.635
Total	263.368

The set of 263.368 EGs consists of 264.165 ENs. FBs represent 68% of all EGs in the Netherlands (excluding EGs with one person employed). About 25% of these FBs are active in wholesale and retail trade, and 13% in agriculture, forestry and fishing. 95% of the FBs are small or medium-sized enterprises.

Table 2:
Number of Enterprises (#EN) and FBs (#FB) broken down by NACE section

NACE section	#EN	#FB	%
A Agriculture, forestry and fishing	37.950	34.680	91
B Mining and quarrying	180	40	22
C Manufacturing	23.920	15.335	64
D Electricity and gas supply	370	110	30
E Water supply and waste management	655	305	47
F Construction	29.720	21.350	72
G Wholesale and retail trade	92.870	67.015	72
H Transportation and storage	14.835	10.270	69
I Accommodation and food serving	30.985	24.905	80
J Information and communication	15.480	6.295	41
K Financial institutions	10.175	6.740	66
L Renting, buying, selling real estate	7.625	4.270	56
M Other specialised business services	44.565	25.485	57
N Renting and other business support	18.805	12.465	66
O Public administration and services	640	5	1
P Education	8.435	3.955	47
Q Health and social work activities	26.475	14.715	56
R Culture, sports and recreation	11.610	5.870	51
S Other service activities	14.770	10.285	70
T-U Other	5	5	100
Total	390.070	264.165	68

Table 3:

Number of Enterprises (#EN) and FBs (#FB) broken down by Size Class

Size class	#EN	#FB	%
1 person employed ⁵	40.450	20.810	51
2-9 persons employed	287.570	216.960	75
10-49 persons employed	48.580	24.085	50
50-249 persons employed	10.625	2.100	20
250 persons employed or more	2.845	145	5
Total	390.070	264.165	68

Table 4: Number of Enterprises (#EN) and FBs (#FB) broken down by Province (NUTS2)

Province (NUTS2)	#EN	#FB	%
NL11 Groningen	11.605	8.245	71
NL12 Friesland	16.325	12.380	76
NL13 Drenthe	10.975	8.315	76
NL21 Overijssel	27.240	19.715	72
NL22 Gelderland	48.790	34.855	71
NL23 Flevoland	8.455	5.895	70
NL31 Utrecht	28.800	17.535	61
NL32 Noord-Holland	67.125	40.540	60
NL33 Zuid-Holland	74.550	48.160	65
NL34 Zeeland	10.120	7.630	75
NL41 Noord-Brabant	61.455	42.835	70
NL42 Limburg	24.550	17.955	73
Unknown	80	40	50
Total	390.070	264.165	68

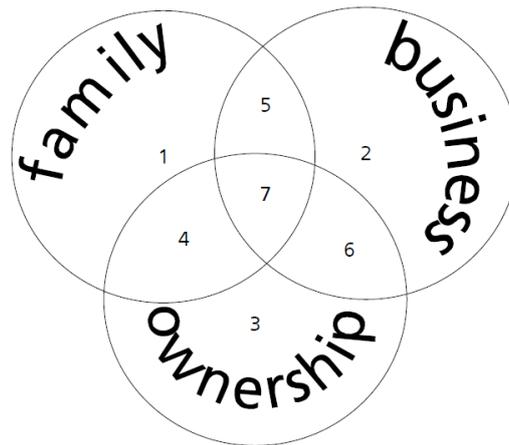
4. Conclusion

Based on the current methodology and availability of sources, statistics on the number of FBs in the Netherlands can be published every year, eight months after the beginning of that year. For private and public limited companies there are limitations with respect to the timeliness of the registers used. The payroll register for year T is available in august of year T+1. The satellite of self-employed entrepreneurs with information about ownership gets filled gradually. This implies the most recent information available is used. Figures are therefore provisional and can be adjusted. For partnerships and sole proprietorships it is possible to make a monthly population since the methods only depend on the SBR and the Trade Register.

⁵ Identification has been conducted at the level of enterprise groups with size classes with two persons employed or more. Corresponding enterprises however can be smaller. Enterprise groups that are partnerships with 2 or more partners are included regardless of size classes.

Annex A: FB vs Non-FB

For a natural person who is a regular employee in an enterprise, the business, the family and the owner of the business are considered as independent environments. However in case of a FB, these environments are strongly connected. In one of the first overviews of family business as a specific organizational form, published by the Harvard Business School⁶, the FB is visualized as overlapping subsystems, resulting in seven possible positions or sectors. Each member of a family business operates in one or more sectors.



However there exist many definitions of what is meant to be a FB in the different member states. Therefore it is difficult to compare the situation of family businesses in each EU Member States. On the long term, the EU wants to collect more information on FBs in individual Member States for a better understanding of the issues and challenges facing family businesses and to promote exchanges of best practices.

In the Netherlands, FBs are considered to be the backbone of the economy. But what are the differences between a FB and a Non-FB? The Dutch Centre of Family Businesses considered the following key differences for Dutch FBs:

	Non-FB	FB
Ownership	Decentralized	Centralized
	Not based on family relations	Based on family relations
	Well diversified	Not diversified
	No shim between cash flow and property ownership	Shim between cash flow and property ownership
Governance	Property and Control separated	Property and Control in one hand
	External influence by the board	Internal dominance by the board
	Transparency	Opacity
	Public	Secrecy

⁶ Source: Gersick, Davis, McCollom Hampton and Lansberg (1997), *Generation to generation*, Harvard Business School Press.

	Non-FB	FB
Profit	Economically defined	Non-economic results important
	No private advantages	Private advantages for the family
	Protection of minority shareholders	Minority shareholders are exploited
Reward	Based on performance and universal criteria	Allocations based on nepotism
		Specific criteria
		Spoiling of family members
Network	External contacts based on firm	Anchored in relations
	Company- and family-related separated	Mixture of roles
	No personal social responsibility	Personal social responsibility
Leadership	High exchange of management	Same management for longer period
	Market discipline	Competence developed by working
	High education level	Succession by choice of available family members
	Succession by choice of many high potentials	
Carrier	Paid managers	Family members
	Short term carrier horizon	Long term carrier horizon
Management	Delegation to professionals	Autocratic
	Rational	Emotional
	Analytic	Intuitive
	Innovative	Organic
	Formal	Innovatively oppressive
	Control and divide	Not able to delegate
		Mutually arranged

Annex B: Legal forms in the Netherlands

Legal Form	Explanation
Private Limited Company (BV)	The private limited company is a legal person: a person having rights and obligations, just like a natural person. The Private Limited Company itself is seen as the entrepreneur, whereas the natural person who is appointed director merely acts on behalf of the Private Limited Company and cannot be held personally liable (with the exception of certain situations) for his acts.
Public Limited Company (NV)	The public limited company is comparable to the Private Limited Company. Often however a public limited company is listed in the stock exchange, since the statutes contain no limitations on transferring the shares owned in the company. In a Private Limited Company the shares can only be transferred from one owner to the other one with the permission of other shareholders, since this is a requirement that is often stated in the statutes.
General Partnership. (VOF)	A commercial partnership is a form of cooperation in which you run a business with one or more business partners. You and your partner(s) are the associates or members of the commercial partnership. One of the characteristics of this legal form is that each partner contributes something to the business: capital, goods, efforts (work) and/or goodwill. Another characteristic is that the partners are privately liable for the debts made by the commercial partnership.
Limited Partnership. (Maatschap)	The partnership referred to as 'maatschap' under Dutch law differs from the commercial partnership and the Limited Partnership in that it is a form of cooperation established by professionals such as doctors, dentists, lawyers, accountants, physiotherapists etc., rather than a cooperation established for the purpose of doing business. This legal form is also often used in the agricultural sector when husband and wife together run a farm.
Commandite Partnership. (CV)	A Limited Partnership, the 'CV', is a special type of commercial partnership (VOF). The difference is that the CV has two types of business partners: general, and limited or sleeping partners. The latter are only financially involved; they cannot act on behalf of the partnership. The word limited in the name refers to the fact that limited partners are not liable with their privately owned assets for the debts of the Limited Partnership, whereas the business partners are liable with their privately owned assets.
One-Man Business (Eenmanszaak)	One-man business is also referred to as sole trader or sole proprietorship or independent contractor. If you start a one-man business you will be the fully independent founder and owner. More than one person may work in a one-man business, but there can only be one owner. The owner of a One-Man business is liable for the debts of the business with his privately owned assets.

References

- Belastingdienst. (2016). *Payroll tax*. Opgeroepen op July 2016, van www.belastingdienst.nl:
<http://www.belastingdienst.nl/wps/wcm/connect/bldcontenten/themaoverstijgend/glossary/p/>
- Chamber of Commerce. (2014, December). *Starting your own business*. Opgeroepen op July 2016, van http://www.kvk.nl/download/KvK_Brochure_SYOB_tcm109-400541.pdf
- European Commission. (2009, november). *Final report of the Expert Group. Overview of family-business-relevant issues: research, networks, policy measures and existing studies*. Opgeroepen op march 2016, van http://ec.europa.eu/growth/smes/promoting-entrepreneurship/we-work-for/family-business/index_en.htm
- European Commission. (2016). *Family business*. Opgeroepen op march 2016, van Promoting entrepreneurship: http://ec.europa.eu/growth/smes/promoting-entrepreneurship/we-work-for/family-business/index_en.htm
- Flören, R., Uhlener, L., & Berent-Braun, M. (2010). *Family business in the Netherlands characteristics and success factors*. Breukelen: Nyenrode Business Universiteit.
- MinSZW. (2015). *Regeling aanwijzing directeur-grootaandeelhouder 2016*. Opgehaald van <http://wetten.overheid.nl/BWBR0036819/2016-01-01>
- Tweede Kamer. (2016, February 10). *Contouren UBO-register*. Opgeroepen op July 2016, van Tweede Kamer der Staten-Generaal, vergaderjaar 2015–2016, 31 477, nr. 10: <https://www.tweedekamer.nl/downloads/document?id=ee6c7223-6e2f-4821-9ff0-887622d9eb82&title=Contouren%20UBO-register.pdf>
- Wetboek van Koophandel*. (sd).