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Small businesses weathering the economic storm

Image caption: Small ventures like this cow bell manufacturer are better insulated from the global recession than their larger counterparts (Keystone)

Family-run firms in Switzerland are well set to survive the global recession having put long-term growth before quick profits in the good years, a report concludes.

Such small- and medium-sized enterprises (SMEs), which account for more than 88 per cent of all Swiss companies, are also cushioned by an aversion to taking on too much debt but still face succession problems.

The survey of 300 Swiss family-owned SMEs found that 68 per cent of companies are less motivated by making money than in maintaining the good name of the firm.

Some 83 per cent of owners put the healthy state of their company down to risk aversion and 39 per cent said long-term planning was crucial to success.

Swiss family business consultant Hakan Hillerström contributed to the study by Barclays Wealth and the Economist Intelligence Unit.

"Often, without a stock market listing, family businesses are insulated from the need to meet the short -term demands of investors and so are better placed to ride out volatility than their listed peers," he said.

« Family-owned SMEs are in a strong position to face the crisis because they are self-financed through earnings rather than debt. »

Professor Thierry Volery, St Gallen University

Succession challenges

The report concludes that many small, family-owned ventures are better insulated from the global recession than their larger counterparts because they are run as assets to be passed down to future generations rather than as wealth machines.

"This report shows that family businesses are well placed to survive and even thrive in the economic downturn," said Philippe Sednaoui, managing director and CEO of Barclays Wealth in Switzerland.

However, the report came with a health warning about the challenges of succession that sometimes burst the bubble of a company's fortunes if handled badly.

A separate survey by the Centre for Family Business at St Gallen University also pointed to the particular risk facing such enterprises. Succession issues will affect one in four firms in the next five years, but only half of owners surveyed had a clear strategy in place.

The report found a dramatic reduction in the number of companies being handed over to members of the same family. Four years ago, 60 per cent of handovers stayed in the family compared to 40 per cent now.

Professor Thierry Volery of the university said there were warning signs that some owners were too attached to their firms to let go or did not see eye-to-eye with potential successors within their families.

Strong position

Volery was also more concerned about the growing problems presented by the economic downturn for the many Swiss SMEs that trade heavily abroad.

"Some of the darlings of the Swiss business sector, which displayed tremendous growth in the last few years, have been hit very badly in the last quarter because up to 70 per cent of their sales are taken by international markets," he told swissinfo.

The picture is less gloomy for domestic-facing firms, according to Volery who nevertheless believes that most companies, irrespective of their international exposure, should be able to withstand the pressure.

"Family-owned SMEs are in a strong position to face the crisis because they are self-financed through earnings rather than debt. This should act as a buffer as banks will be willing to lend to companies with such a low risk profile," he said.

swissinfo, Matthew Allen