

Privately Held Business

Interview with **Dr. Carlo Marelli**, Grant Thornton, Zürich.

Grant Thornton focusses a large part of its services on privately held companies. You, Mr Marelli, have perceptions of the top management in such companies. What is special about these companies?

Each company has the own story, of course, and special problems. To better understand these companies can be divided into three major groups. In small and medium sized businesses, the owner can be actively involved in the management and at the same time be a specialist in the field of operations of the company. Included here would be service providers such as law firms. Then we have medium and large sized businesses, controlled by private investors and families, in which the operational control is given over to a managing director.

Companies with significant private equity funding are also part of this segment. The third group are public companies, which, although stock exchange listed, are in practice controlled by large investors, or a wealthy family. The University of St. Gall in a study found that in Switzerland alone, 99 companies listed on the stock exchange are family controlled.

Are there typical problems faced by these privately held businesses?

Yes, this is the case. Small and medium-sized family businesses have the majority of the family wealth tied up in their business. This was confirmed in a survey by Grant Thornton in 27 countries in which over 8,000 family businesses were included. This situation leads to a concentration of risk and complicates the succession issues. The owners of these companies often have no neutral parties in the enterprise.

They are therefore looking for contact with an experienced independent expert with whom they can discuss their concerns in confidence.

And what is special in the larger firms in private hands?

In the group of firms in which management and ownership are not synonymous, the importance of **Management-Tools** for planning, organisation and control of the business increases. Examples include business plans, rapid and transparent reporting, organizational rules, and more. For the market quoted businesses the specific rules on transparency and notifications come on top of this. Besides the question of management tools in these firms they often have to deal with four other problem areas. It is the question of **business strategy**, the monitoring and selection of **management**, the

financing and last but not least the minimising and planning of **taxation**.



Do the larger firms in private hands face similar issues to large publicly quoted companies?

Absolutely! However, there are two special features in those firms where the family plays a decisive role. On the one hand the **specific objectives** of the family and on the other hand **constraints** within the family. It is the interface between

the family and the business, that makes it extraordinary.

Can you give examples?

A common **objective** in a family enterprise for example is that there should only be one descendant to take over the business. Then come the questions: „How do I tell my children?“ and „How can I deal with this in a financially fair way in accordance with inheritance law?“ As an example from the **constraints** we often see that the financially limited resources of a family may preclude a necessary expansion. In large family enterprises with many shareholders the decision making process can be significantly hindered.

Grant Thornton has offices in over 100 countries. What advantages can privately owned businesses get out of this?

Swiss companies are known for their high foreign activities.

The University of Economics in Fribourg found in a survey that more than half of the turnover is generated in a large number of medium-sized enterprises from exports. On average these firms are active in 6 to 7 countries. Larger companies have correspondingly higher foreign activities and relationships. These international companies appreciate our uniform cross-border service offering.

Due to the current economic crisis investment requirements have intensified in emerging markets. Grant Thornton has both in Switzerland and in the target countries professionals, who act according to high standards and help to overcome the legal, economic and linguistic barriers in the construction of branches. In China, we are represented, for example, in eight major cities, with 60 partners and 1500 employees.

Grant Thornton
Im Tiergarten 7
CH – 8055 Zürich
T +41 43 960 71 71
F +41 43 960 71 00
E info@grant-thornton.ch

Carlo Marelli
carlo.marelli@grant-thorn
T +41 43 960 71 71



www.grant-thornton.ch

©2010 Grant Thornton Switzerland. All rights reserved. Grant Thornton Switzerland is a member firm of Grant Thornton International Ltd (Grant Thornton International). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.