



Trends with family governance
in the Baltics

How to avoid disputes in
family enterprises?

SORAINEN

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BFFI survey of family businesses in Baltic States

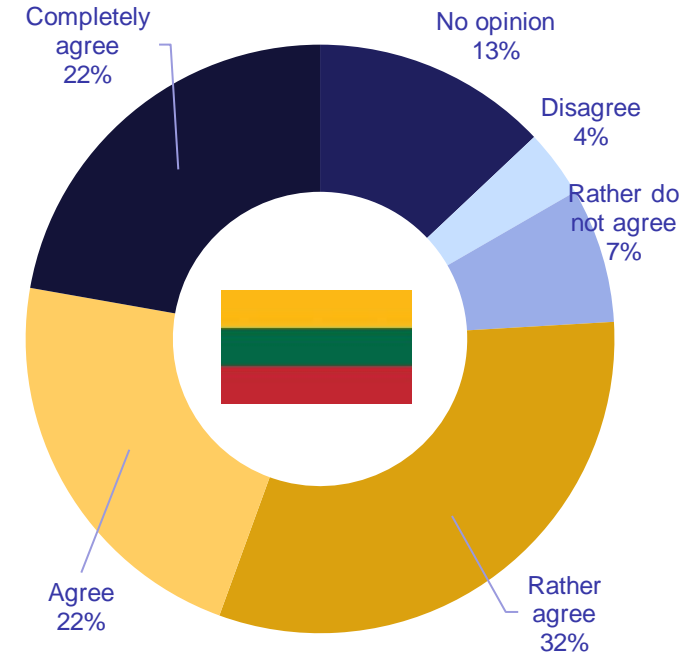
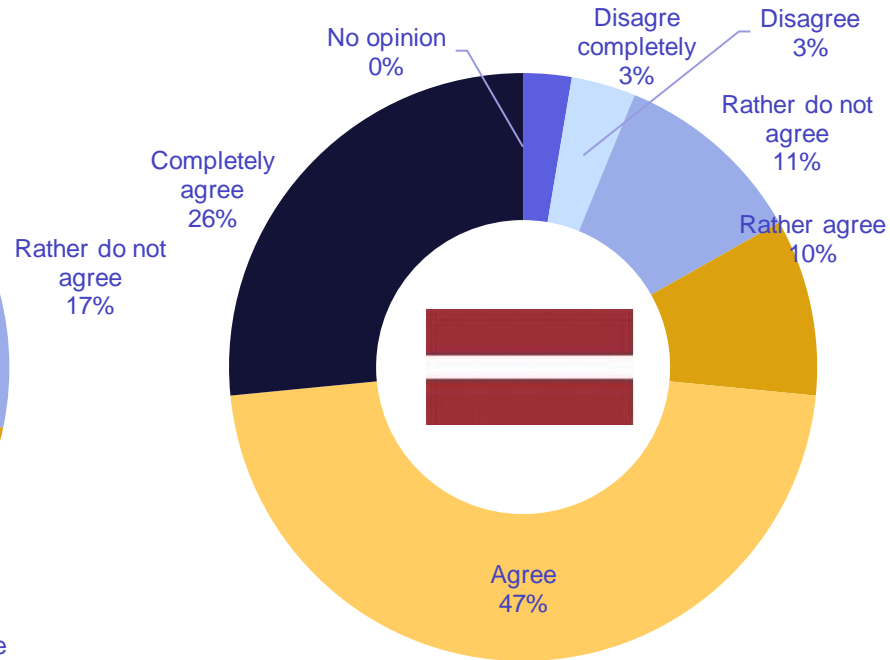
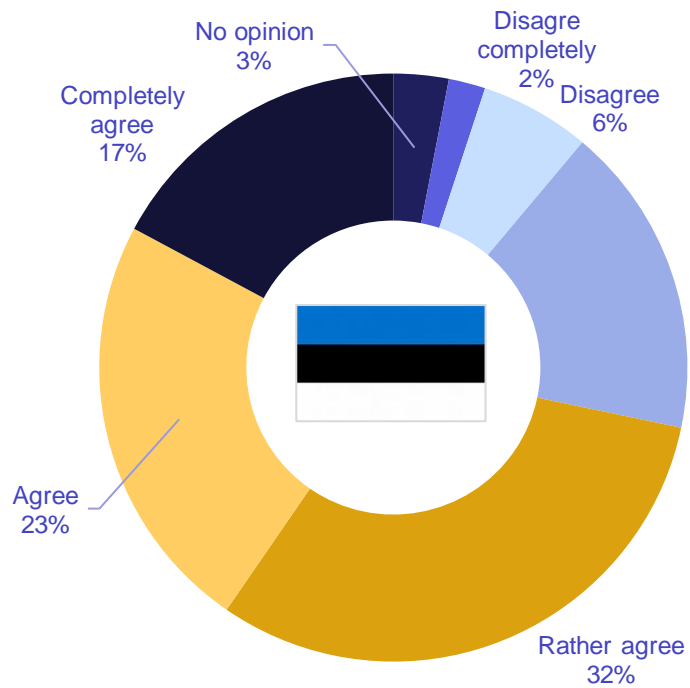


Over 300 family businesses were surveyed by:

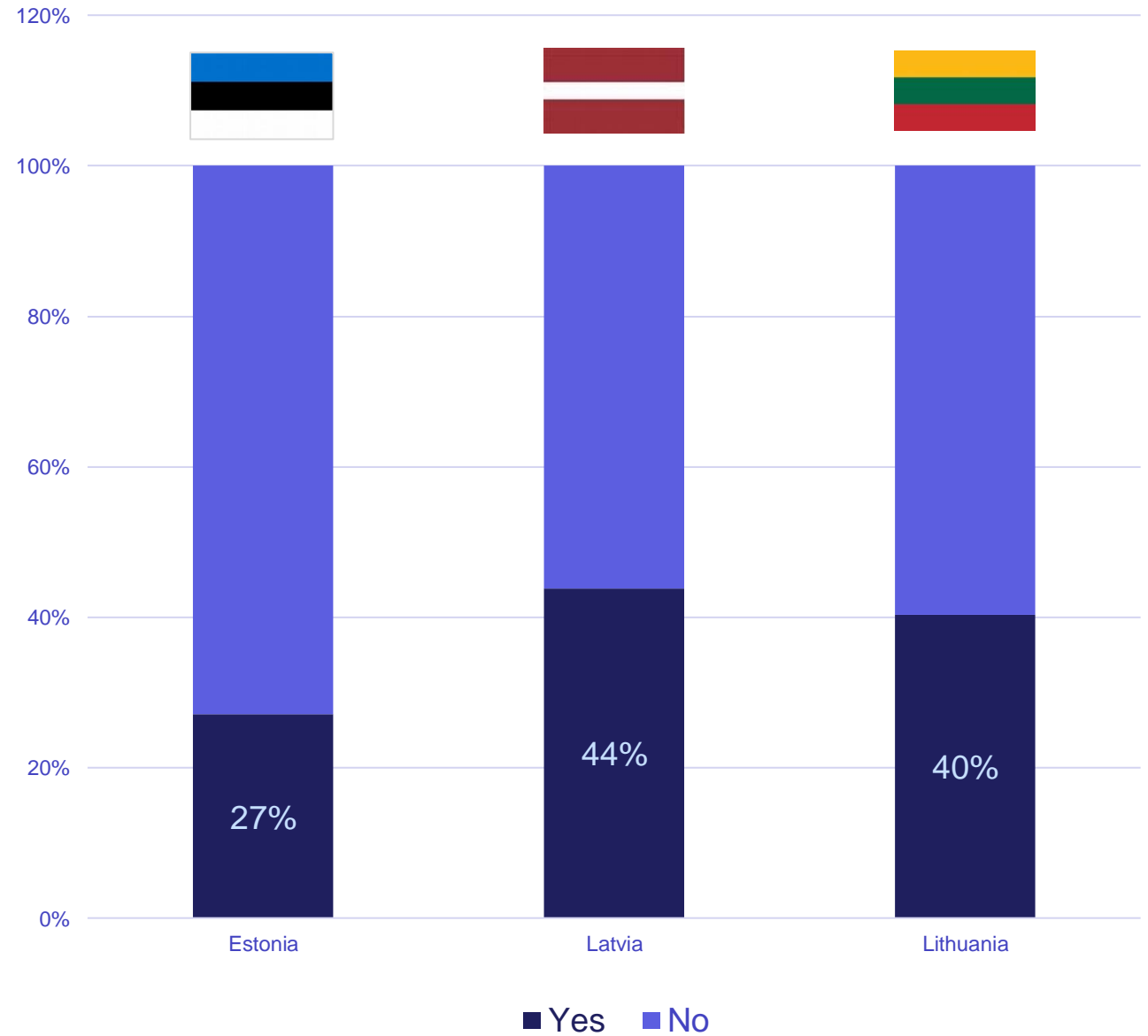
- University of Latvia in Latvia (in the end of 2023)
- University of Tartu in Estonia and ISM in Lithuania, in cooperation with Sorainen (April-May 2024)
- Here is a snapshot of preliminary results on a few relevant questions, full final results will be presented in September

Do family values matter in your company?

Agree or rather agree: EE – 62%, LV – 83%, LT – 76%

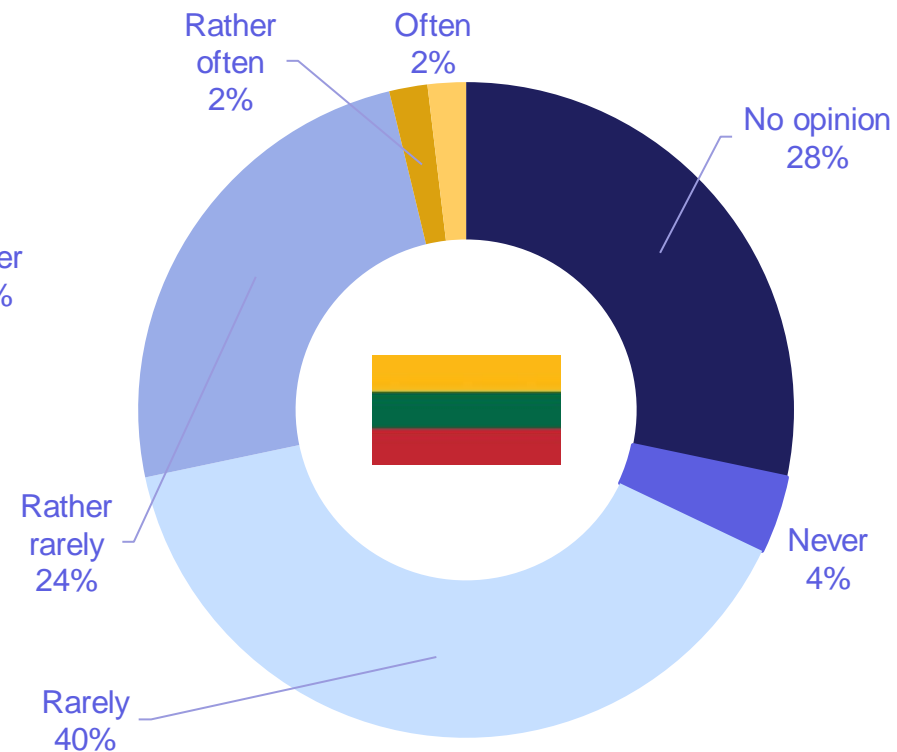
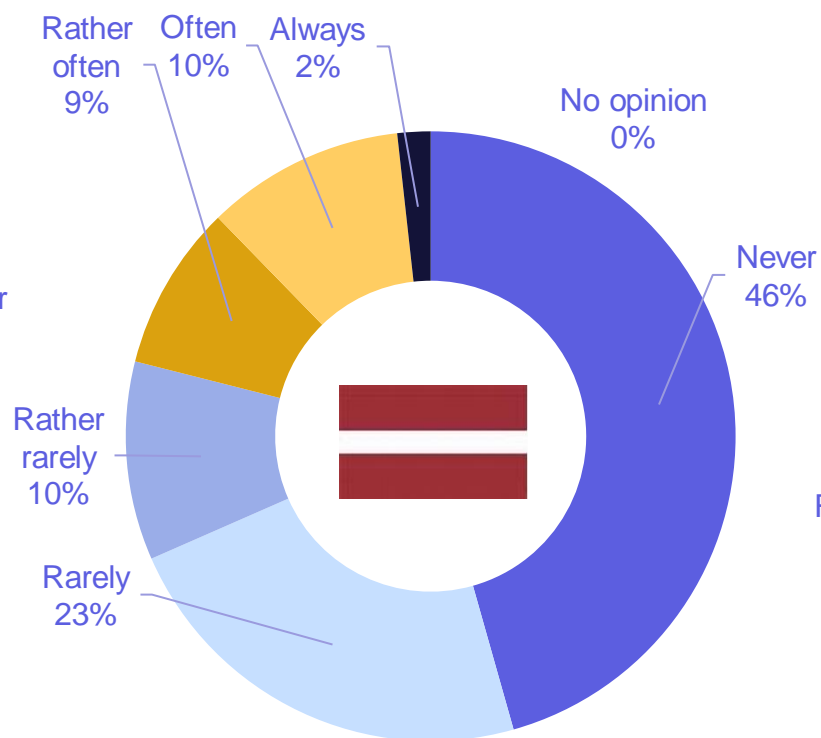
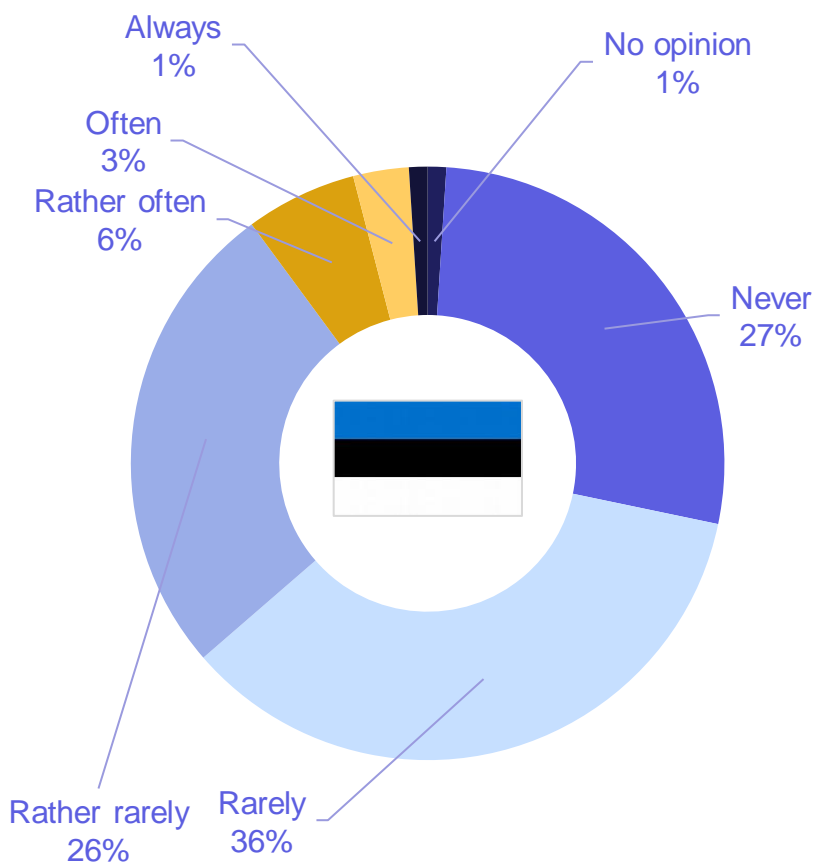


Do family members influence strategic decision-making in your company?



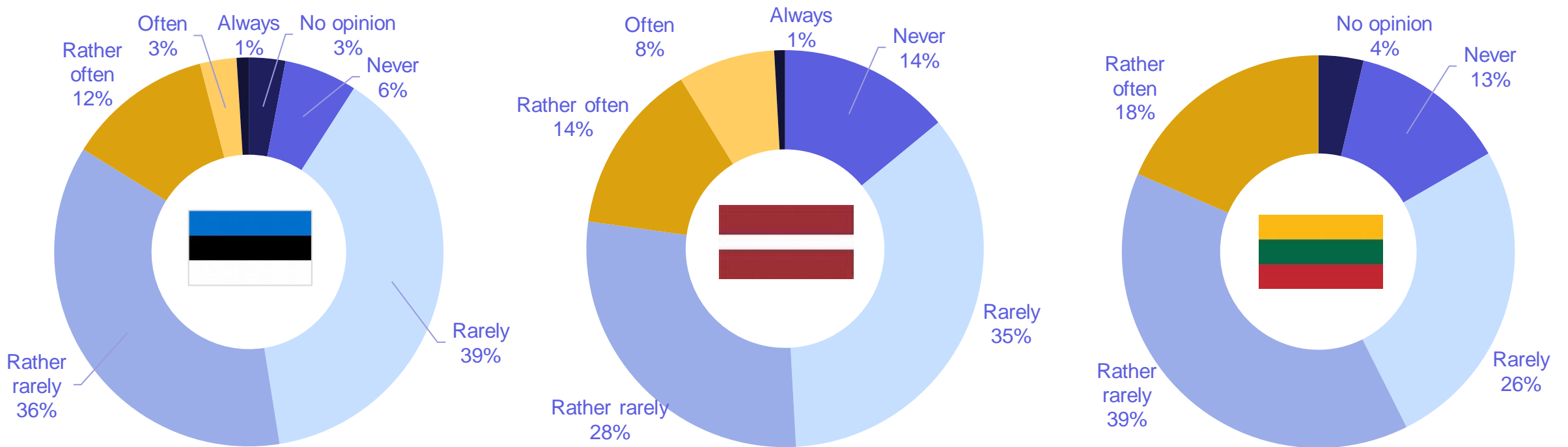
How often have you had difficulties in resolving intra-family disagreements related to development of the family business?

Always or (rather) often: EE – 10%, LV – 21%, LT – 4%,



How often do managers in your company make decisions based on emotions?

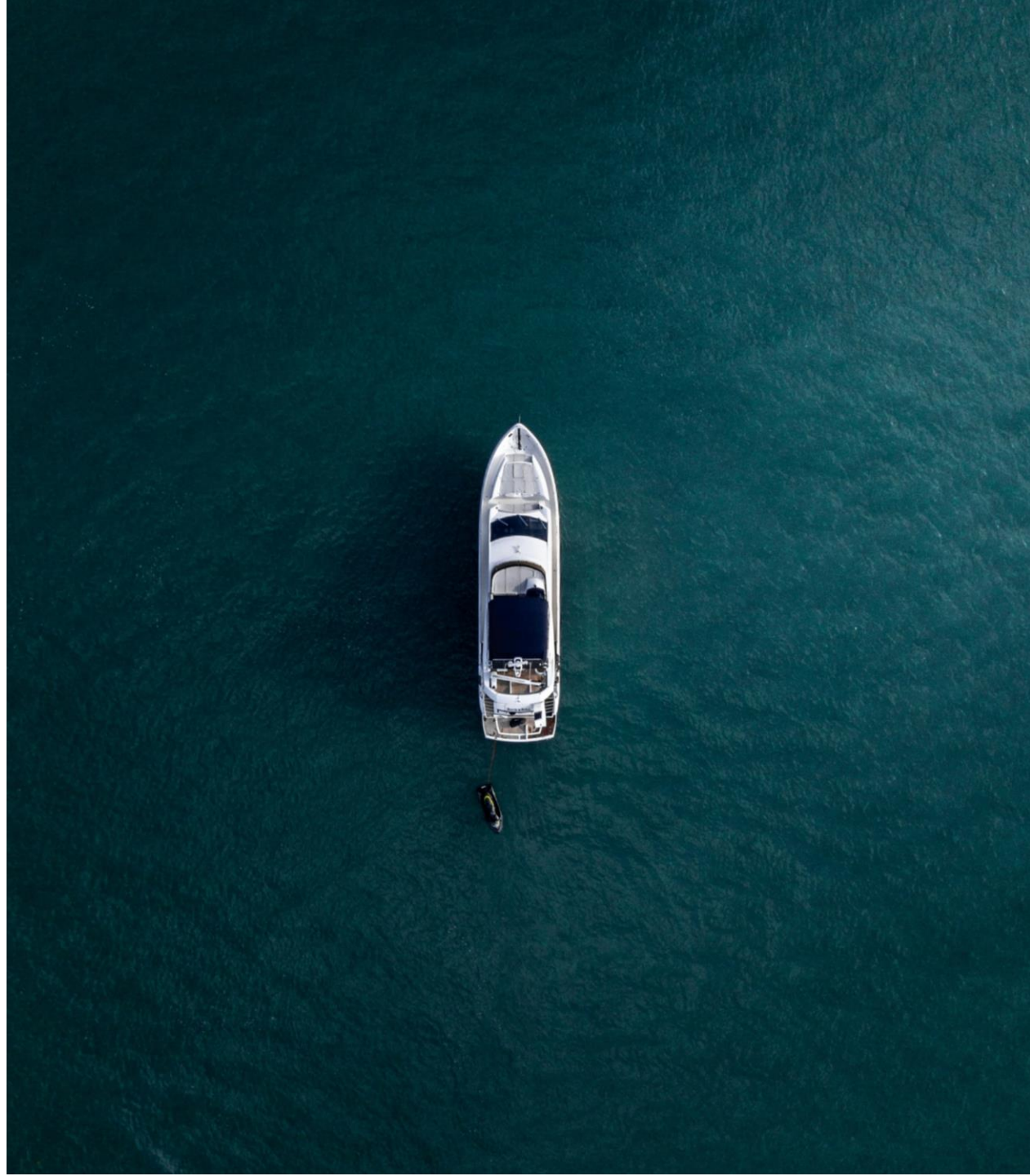
Always or (rather) often: EE – 16%, LV – 23%, LT – 18%



Can emotions lead to legal disputes in family businesses?



- Emotions have impact on business decisions
- Big difficulties – strong emotions
- Emotions may derail the business



Two brothers

- 50:50 situation – a programmed dispute?
- Lack of status or contribution to business
- Possible mitigations

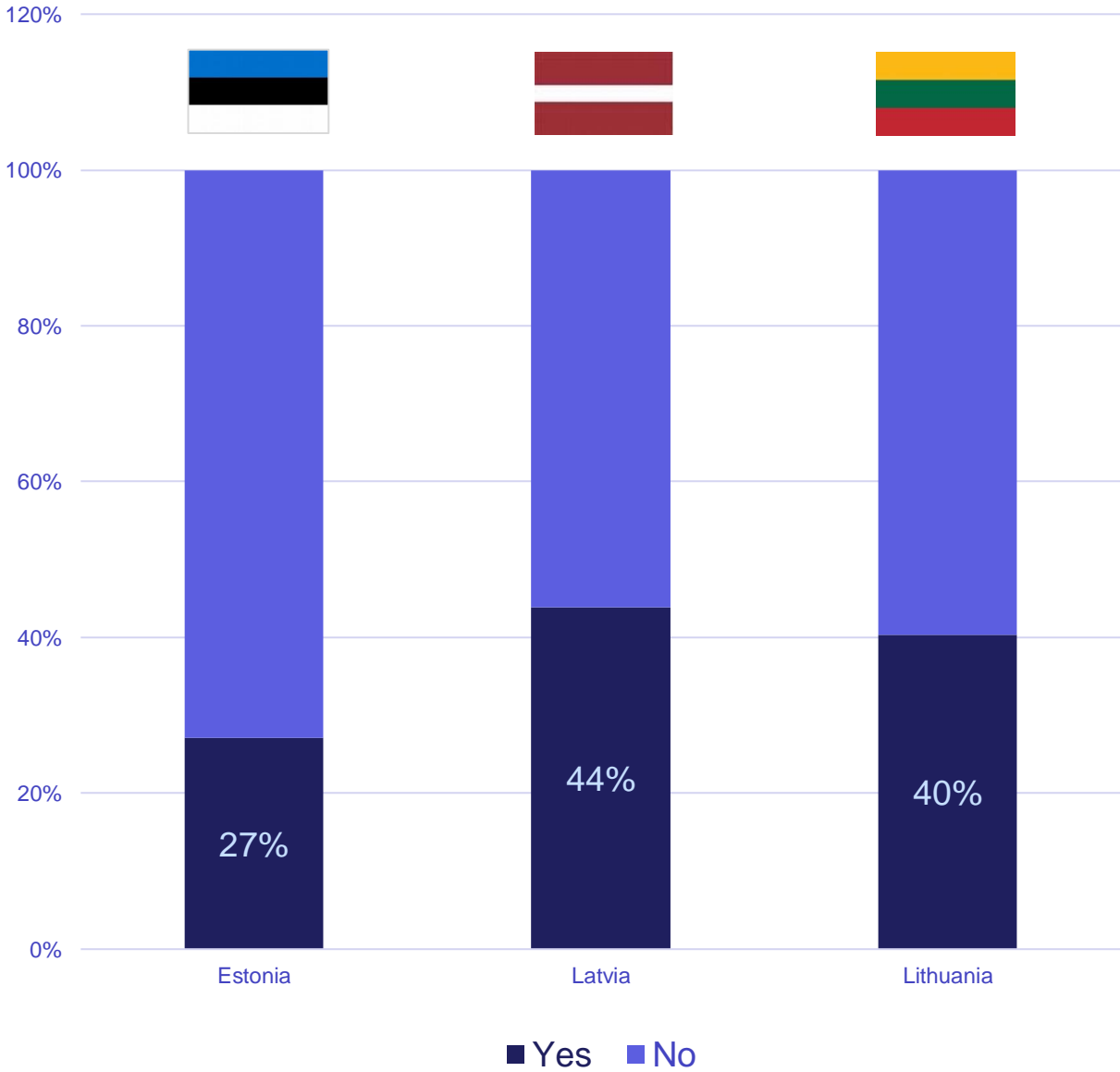


Death of a sole shareholder and manager

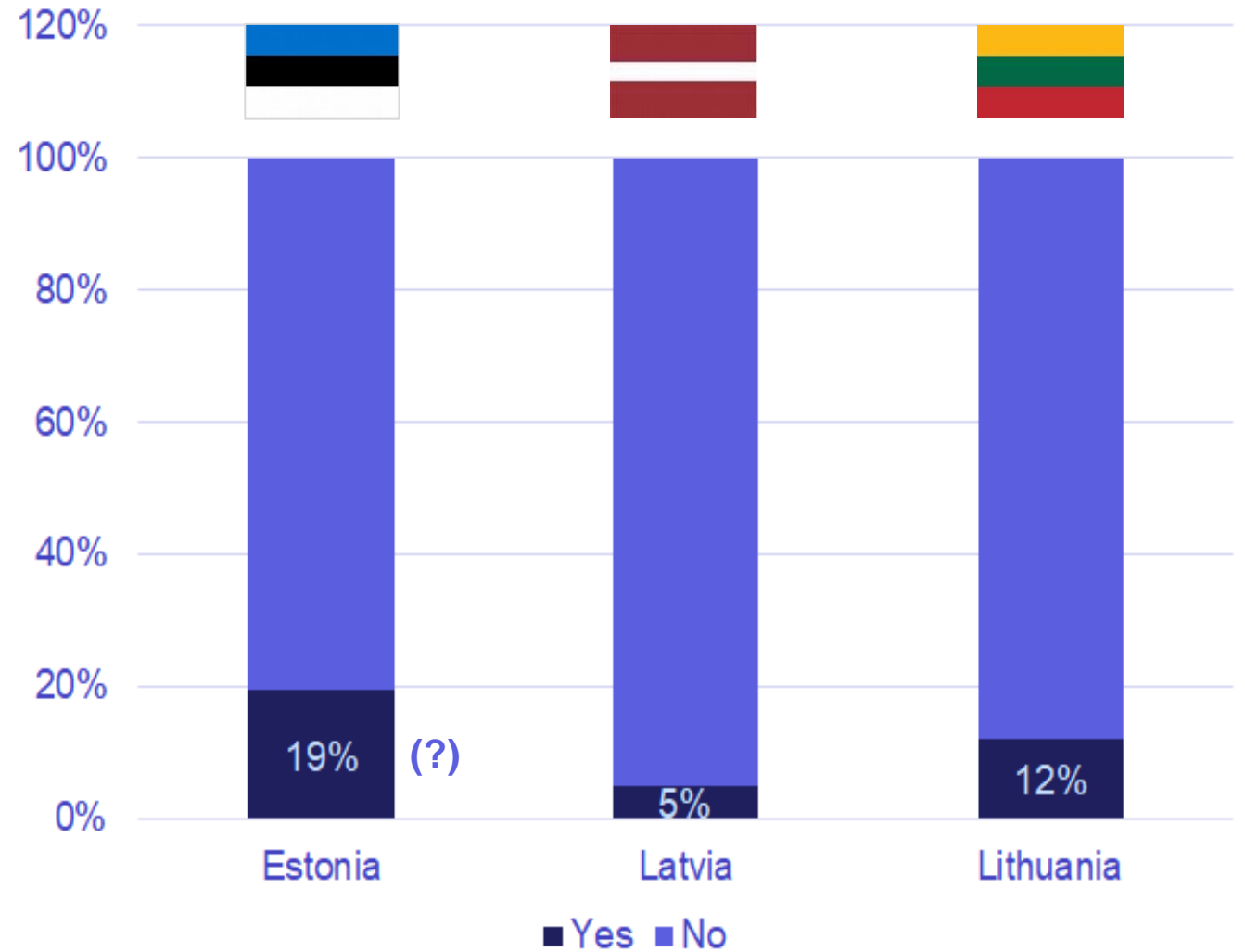
- No will or other rules
- Two heirs who have a dispute
- Long litigation, stagnation of the business and risk of closing the business
- Possible legal tools



Do you have a formal or informal succession plan?



Do you have a family constitution or other family business governance document?



Importance of family governance (1)

- **More structured decision-making:**
Family governance structures ensure that decision-making processes are transparent, consistent and involve input from all relevant family members
- **Conflict resolution:**
Having a formal governance framework helps in managing and resolving conflicts within the family
- **Alignment of interests:**
Governance structures help align the interests of family members with the goals of the business



Importance of family governance (2)

- **Succession planning:**
Effective family governance helps to manage leadership transitions
- **Sustainability and longevity:**
Family governance supports the sustainability and longevity of the business
 - Only 30% of family businesses survive to the second generation and just 10% to the third
 - Can we make it better in Baltics?



Strong family businesses – strong economy of the Baltics

○ **Economic stability and growth:**

Family businesses contribute to the growth and economic stability of a country

- In Germany family businesses account for about 49% of the total GDP and create about 60% of all jobs
- In United States 54% of GDP and 59% of jobs
- In Italy 68% of GDP and 70% of jobs
- In Baltics it's probably around 30% of GDP now?

○ **Wealth generation and distribution:**

Family businesses generate substantial wealth and contribute to its distribution across the economy. They often reinvest profits locally and support community initiatives

- All this means a **big growth potential** for our economies if we get it right!



Contact us!



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