



Foundation for  
Family Businesses

# Country Index for Family Businesses

Competitiveness ranking, 10th edition summary



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Foundation for Family Businesses

Prinzregentenstraße 50

80538 Munich

Germany

Phone: +49 (0) 89 / 12 76 400 02

Fax: +49 (0) 89 / 12 76 400 09

E-mail: [info@familienunternehmen.de](mailto:info@familienunternehmen.de)

[www.familienunternehmen.de](http://www.familienunternehmen.de)

### Prepared by:

**ZEW**

ZEW – Leibniz Centre for European

Economic Research

L 7,1

68161 Mannheim

Prof. Dr. Friedrich Heinemann

Hannah Gundert

Dr. Stefan Weck

**CalculusConsult** 

Calculus Consult

Stuifenstraße 4

73207 Plochingen

Dr. Margit Kraus

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## Summary of the main results

For the tenth time since 2006, the Country Index for Family Businesses 2024 is comparing the local conditions for family businesses in the most important industrialised countries. In concept, the comparison of locations is orientated towards the factors that are decisive for the success of the business models of large family businesses. This sheds light on a location's structural strengths and weaknesses that will be important in future.

The results of the Country Index for Family Businesses 2024 and the 2022 index are compared in the table below.

### *The Country Index for Family Businesses*

Country	Points 2024	Rank 2024	Points 2022	Rank 2022
Denmark	63.66	1	57.67	8
Sweden	63.42	2	61.18	4
Canada	62.33	3	62.13	2
USA	61.88	4	63.07	1
Switzerland	61.52	5	61.80	3
Ireland	61.34	6	58.80	6
United Kingdom	58.97	7	58.74	7
Netherlands	58.01	8	58.80	5
Finland	56.47	9	55.59	10
Belgium	55.18	10	56.03	9
Czech Republic	53.66	11	53.78	12
Austria	53.58	12	53.93	11
Japan	51.59	13	48.05	17
Portugal	51.45	14	49.43	15
Poland	51.37	15	52.02	13
Slovakia	50.41	16	50.96	14
<b>Germany</b>	<b>48.68</b>	<b>17</b>	<b>47.74</b>	<b>18</b>
Hungary	48.57	18	49.28	16
France	48.18	19	46.93	19
Spain	47.37	20	45.76	20
Italy	43.42	21	39.81	21

Source: Calculations by ZEW and Calculus Consult.

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*Current negative reports are not a snapshot*

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The recalculation for Germany is taking place at a point in time during which the economy as a whole is stagnating and important fields of industry are in recession. In addition, there are no signs of a gradual change for the better. In this situation, the results provide an important insight for the discussion of locations in Germany: The increasing number of negative reports from German industry cannot just be seen as a snapshot in a difficult economic environment characterised by the consequences of the energy crisis. Rather, it can be assumed that the eroding competitiveness of local conditions has contributed to the problem of formerly prosperous industrial sectors, which is currently getting worse.

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*Two North European states lead the ranking. The USA is no longer the front-runner.*

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At the top of the ranking is a group of six countries that have 60 points or more. Two North European countries, Denmark and Sweden, are at the top for the first time. Underneath them is North America, with Canada and the USA, closely followed by the West European countries of Switzerland and Ireland. Compared to the 2022 index, Denmark in particular has greatly improved its point value, with an increase of nearly six points. Denmark's leap to the top is due to a continuous improvement in almost all location factors across the board, with the 'energy' and 'infrastructure and institutions' sub-indices in particular developing very positively. Denmark stands out thanks to comparatively cheap electricity prices, a high level of power supply security and low import risks for oil, gas and coal.

Likewise, Sweden was able to improve across the board in terms of location factors, for example in the area of labour costs and education indicators, in particular the PISA results. For the USA, whose point total only dropped slightly, a less favourable assessment of the security of electricity supply can primarily be observed.

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*The four largest states in the EU are at the bottom of the ranking.*

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Compared to these top locations, Germany continues to lag behind in 17<sup>th</sup> place out of 21 comparable countries. The lowest ranking countries are Hungary, France, Spain and Italy. This means that the four largest EU states overall, Germany, France, Spain and Italy, find themselves at the bottom of the ranking. Only smaller European states made it to the top of the leaderboard.

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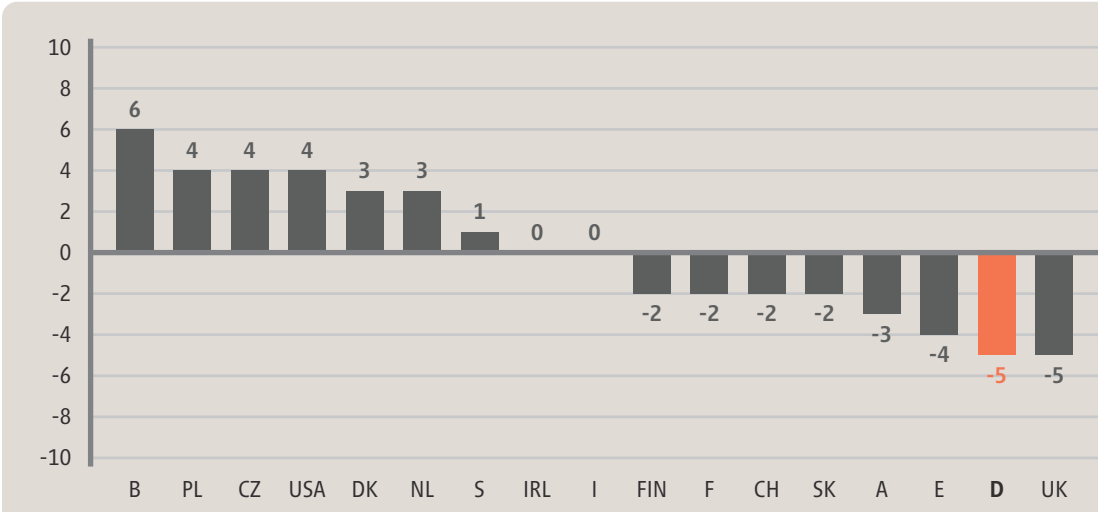
*Only small EU states made it to the top*

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Germany went up one place in the overall ranking, primarily due to a slight improvement in the energy sector as a result of the progress made in decoupling from Russian energy imports. Despite improved position in the corresponding sub-indices, the high energy prices remain a significant locational disadvantage. Germany is behind the USA, Japan and the Western European average (including Switzerland and the UK) in terms of electricity, gas and fuel prices. In the 'climate targets' category, Germany lags behind the average of the Western European countries, which is particularly disappointing given of the high energy prices. In the 'energy' category, the greatest asset of the German location is still the high level of power supply security, in which Germany is an international leader.

The location category in which Germany scores most highly is still by far the category of financing, in which Germany holds the top spot. This is due, among other things, to the outstanding results in the area of sovereign ratings and the low level of private and public debt compared to other countries. Germany also performs comparatively well, though not excellently, in the 'Infrastructure and institutions' sub-index. Meanwhile, the results were weak in the areas of 'taxes' and 'labour costs, productivity, human capital' and 'regulation', which continued to decline. This is due to factors such as a further decline in education performance, higher labour costs with low productivity progress, and an even more critical assessment of the bureaucratic burden on companies.

*Change to the rankings in the Country Index since 2006*



Source: Calculations by ZEW and Calculus Consult.

Shows the change in ranking of all locations included in the Country Index since the first calculation in 2006.

In view of the imminent general election, the update of the Country Index is intended to provide information on the design of a reform package that can make Germany a more attractive investment location for family businesses again. One initial finding is that Germany as a business location can hardly be helped by selective measures such as new subsidies. A comprehensive package of reforms is needed that simultaneously mitigates the locational weaknesses in the various dimensions. A second recommendation is that politicians need to set priorities now. The financial leeway that undoubtedly still exists should be used for areas such as education, infrastructure, digitalisation and administrative modernisation. Thirdly, in view of the previous failures in reducing bureaucracy, entire regulatory areas and laws should now be scrutinised.

Despite all the worrying findings, this report also gives cause to be optimistic: in the EU, with its socio-politically ambitious social models, it is possible to offer highly attractive local conditions. Denmark and Sweden, the two top locations ahead of Canada and the USA in the 2024 update, have shown this. As is so often the case, the smaller European countries are proving to be more adaptable to global challenges. The larger and by nature more cumbersome large EU states therefore have instructive reference cases in their European neighbourhood, which they can use as a guide when designing their reform strategies in the coming years.