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Family businesses are 'unsung heroes' of the global economy, with increased sales and aggressive five-year growth plans, says PwC

- *65% of family firms have grown sales in past year*
- *81% anticipate steady or quick/aggressive growth over next five years*
- *But shortage of skills a key challenge*
- *And planning for succession still a threat*

LONDON – 23 October 2012 – Two thirds of family firms around the world have grown their sales in the past year, and even more are confident that their ambitious growth targets for the next five years will be met.

Recruitment of skilled staff and the perennial problem of planning for succession are two of the key challenges facing family businesses.

These are just some of the findings of the latest PwC survey of 1952 family business executives in more than 30 countries worldwide.

Family businesses are thriving globally, with 65% having grown sales in the past year, compared to less than half in 2010 when PwC last conducted the survey. This sales growth has been particularly strong in Eastern Europe, Latin America and the Middle East. Only 19% saw a reduction in sales over the last year, compared to 34% two years ago.

As for the future, family firms are very ambitious, with 81% anticipating steady or quick and aggressive growth in the next five years. Of those who aim to grow, 93% are 'confident' about their company's growth prospects – and even this increases for the Middle East and Turkey.

Norbert Winkeljohann, member of PwC's Network Leadership Team, says: "Our survey clearly shows that family businesses are real 'unsung heroes'. They contribute in a massive way to the global economy and society – but do not believe they are well supported by governments, both in terms of tax regimes and access to finance."

Challenges

One of the biggest challenges facing family-owned businesses is the recruitment of skilled staff, cited by 43% this year compared to 38% in 2010. Nearly 60% say attracting the right skills/talent will be a key challenge over the next five years, and nearly half say they will struggle to retain key staff in the same time period.

Challenges around succession continue to be front-of-mind, often further compounded by family conflict/politics, and the need to attract and motivate non-family staff. For example, the survey revealed that only half the family businesses have a shareholders' agreement in place, and 21% have no procedures in place to deal with conflict.

Market conditions continue to dominate as the key external challenge, with government policy/ regulation identified as a major issue in Greece (64%), Russia (49%), and the Middle East (46%). And 66% think the general economic situation will be a key challenge in the coming five years.

Advantages

Family businesses believe their structure offers significant advantages and benefits – particularly their agility/flexibility, continuity and the longer-term perspective. They cite the key role they play in job creation, the stability they bring to a balanced economy, and their entrepreneurial nature.

And they believe they have developed a stronger set of values than other businesses. For example, 81% believe they battle hard to retain staff even in the bad times, and they have a strong commitment to supporting employment and community issues.

Eric Andrew, PwC's Global Network Middle Market Leader, said: "The survey shows that family businesses believe they have a clearly defined sense of loyalty and responsibility to create and retain jobs even during tough times. But they're also dissatisfied with the support they receive from governments, and feel their contribution is under-valued."

The way forward

On the plus side, family firms in Austria, Canada, Hong Kong, India, Malta, Mexico, the Middle East, Singapore, Sweden, Switzerland and Turkey do believe their governments recognise their importance. But the majority of family businesses worldwide are convinced their governments could and should do more to help them succeed, with measures such as:

- Improved tax situation for succession, and simplified processes
- Financial incentives for family business start-ups
- Specific tax reliefs (e.g. for long-term employment and/or investing back in the business)
- Easier access to finance
- Grants/incentives for research and development, and investment in new technology
- Training and support aimed at family businesses (e.g. succession planning, international expansion, conflict resolution, professional management)
- Set up networks for mentoring family businesses.

Concludes Norbert Winkeljohann: "The results of PwC's 2012 Family Business Survey prove that family firms are robust, vigorous and successful – they're ambitious, entrepreneurial, and delivering solid profits - even in the continued uncertain economic environment."

Notes

1. The PwC Family Business Survey 2012 covers family companies with a sales turnover of more than US$5m in over 30 countries/regions: Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Malta, Mexico, the Middle East (several countries), Romania, Russia, Singapore, South Africa, South Korea, Sweden, Switzerland, Taiwan, Turkey, the UK and the US. Interviews with top executives in 1,952 companies took place between 7 June and 18 September 2012.

2. The report on the findings of the Family Business Survey 2012 can be downloaded at http://www.pwc.com/fambizsurvey

3. PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 158 countries with more than 180,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

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