Family Business Survey 2012: Summary of key findings

- **Family businesses are thriving globally**
  - 65% of family businesses have grown sales in the past year (compared to only less than half in 2010); particularly strong growth in Eastern Europe, Latin America and Middle East;
  - Only 19% saw a reduction in their sales in the last year, compared with 34% in 2010.
- **Family businesses have strong ambitions for growth and are confident of their prospects**
  - Over 80% anticipate steady or quick and aggressive growth in the next five years;
  - 39% of those who aim to grow are 'very confident' about their company's prospects for growth over the next five years. This increases substantially for India, Middle East, Singapore, South Africa and South Korea.
- **Family businesses face a significant challenge relating to the recruitment of skilled staff and labour shortages; increasing in the next five years**
  - Recruitment of skilled staff and labour shortages emerges even more strongly as the key internal challenge (increasing from 38% in 2010 to 43% in 2012);
  - Almost 60% say attracting the right skills/talent will be a key challenge in five years time; and almost half say retaining key staff will be a key challenge five years ahead;
  - Company reorganisation/management model/mix and cashflow/controlling costs have reduced significantly as key internal issues (21% in 2012 vs. 29% in 2010; 17% in 2012 vs. 30% in 2010 respectively);
  - Larger businesses (those over $100 mil turnover are more likely to identify company reorganisations as a key internal issue).
- **Market conditions continue to dominate as the key external challenge**
  - Greece, Russia and the Middle East more likely cite government policy/regulation as a key external issue (64%, 49%, 46% respectively citing this as a key external issue in these territories);
  - And 64% think the general economic situation will be their key challenge in five years time.
- **Innovation and competition front of mind in the future as they look to build scale**
  - Over 60% see the need to continually innovate as the key internal challenge in five years time;
  - Price competition and the number of businesses competing are key external challenges for the future.
- **Broadening their horizons … cautiously looking overseas for growth opportunities**
  - A quarter of our respondents' sales are currently international; this will rise to 30% in five year's time;
  - A quarter of respondents plan to remain steadfastly domestic anticipating no exports now or in the future.

- Companies are staying close to home or to markets with strong cultural or historical ties rather than focusing on the highest growth territories (e.g. Brazilian companies exporting to Portugal and USA; Indian companies to UK).

- **Family businesses believe their structure offers significant advantages and benefits to society**

  - Agility and flexibility, continuity and the longer term perspective are seen as key advantages of family businesses;

  - Additional advantages include: motivation and 'passion' to succeed; value added to local economy and community (and economy); relationship driven and stronger trust and support in the business;

  - Family businesses strongly agree that they play an important role in job creation, add stability to a balanced economy and are more entrepreneurial, as well as taking a longer term approach to decision-making;

  - Family businesses believe they have stronger values than other businesses and this grows as the business passes through the generations;

  - 81% believe they do all they can to retain staff, even in the bad times; with a strong sense of responsibility to support employment and community initiatives.

- **There are also downsides to family businesses … succession and management, and access to capital**

  - Key issues for family businesses include challenges around succession, lack of skills/separation of ownership from management, and access to capital. These can be further compounded by family conflict and politics, needing to attract and motivate non-family staff, and staleness or a myopic view.

- **Family businesses recognise the need for external management input, especially as they grow**

  - On average 64% of family businesses have non-family members on the board, increasing to three quarters of family businesses over $100 mil in turnover; no specific differences depending on the generation of the business;

  - Almost a third have non-family members with shares, at its highest for 1st generation businesses at 40% having non-family members holding shares;

  - Almost 20% plan to offer shares to non-family members in the next five years.

- **Despite confidence in growth, nervousness about what the future holds**

  - The family business structure may not be the optimal model to face the future with increased pressure and competition from MNCs, difficulty in accessing capital, the limited skills and resources to expand locally and challenges attracting top talent and in streamlining top management team;

  - However, positive advantages remain: agility, closeness to customers, positive differentiation from MNCs, lower levels of debt, longer term approach and loyalty of staff;

  - Lines between family businesses and non-family businesses becoming blurred, with challenges to independence, need for professional management, dealing with regulation, lack of interested family successors; and overseas growth requiring different structures.

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- **Managing the family business and succession**
    - Processes in place to manage the family business structure still mixed; only half have a shareholders agreement in place, and 21% have no procedures or mechanisms in place to deal with conflict;
    - 41% plan to pass ownership and management of the business to the next generation, with over a quarter planning to pass on ownership whilst bringing in professional management, and a 17% plan to sell or float the business (11% don't know at this stage);
    - "A third of businesses believe that ownership will change hands in the next five years, but the percentage of these planning to sell or float has dropped dramatically from approximately 40% in 2010 to 28% in 2012."

- **Family businesses don't believe they get the support or recognition they need from Government**
    - Few family businesses believe that Government recognises the importance of family businesses (with some marked territory differences, for example, family businesses in the Middle East, Malta, Switzerland, Singapore, Mexico, Turkey, Canada, Austria India, Hong Kong and Sweden do believe their Governments recognise their importance);
    - Almost 2/3 of family businesses believe Government should make it easier for family businesses to access finance;
    - Only in Singapore, the Middle East, Turkey and Malta do family businesses believe that the Government is doing what it can to help business to survive and develop their activities in the current economic climate;
    - And access to skills is a critical weakness with family businesses in South Africa, UK, Russia, Romania, Brazil, Italy, South Korea, France, the Middle East and others all believing that young people entering the job market don't have the right skills and education;
    - Family businesses would like to see the following measures implemented by Government (depending on territory) and tangible demonstration of the value placed on family businesses:
        - Improved tax situation for succession (e.g. CGT) and simplified processes;
        - Financial incentives for family business start-ups;
        - Specific tax reliefs e.g. for long term employment and/or families investing back in the business;
        - Easier access to finance;
        - Grants/incentives for R&D and investment in new technology;
        - Training and support aimed at family businesses (e.g. succession planning, international expansion, conflict resolution and professional management);
        - Family business networks.

For further information please contact:

Oriana Pound: Telephone: 020 7804 8611 Email: oriana.d.pound@uk.pwc.com
Jillian Murphy: Telephone: 020 7804 0774 Email: jillian.murphy@uk.pwc.com