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268 interviews with family business next gens in 31 countries

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Next generation of family business leaders ambitious to drive change

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Next generation of family business leaders ambitious to drive change

But struggle with getting their voices heard

Key findings:

- Only 41% of next gens believe that their firm has a strategy fit for the digital world
- 88% of next gens want to leave their stamp and do something special with the business
- 70% of next gens have worked outside the family firm to gain experience before joining the family business
- 52% of next gens are worried that they will need to spend time managing family politics
- 69% of next gens would bring in experienced non-family managers to help modernise/professionalise the business

Singapore, 12 April 2016 – The next generation of family business leaders are well prepared, confident, and above all they have great ambition – both for themselves and for their firms. 88% want to do something special with the business, not just bigger and stronger, but more international, more diversified, and more modern.

New research by PwC – talking to 268 next generation family members likely to take over the business from 31 countries worldwide – shows that 60% want to take the business into new geographic markets. They are exploring new ideas, new products and even new business models. At the same time, [Great expectations: The next generation of family business leaders Survey](#) shows next gens are experiencing more challenges, both inside the firm, and in the wider business landscape.

PwC has been running an international Family Business Survey for over a decade, and in 2014 added its first-ever survey of leaders-in-waiting. This survey asked the next generation about their personal ambitions, their plans for the future of their business, and the unique challenges of being the ‘boss’s child’ and identified [three key ‘gaps’](#) threatening the successful transition from one generation to the next:

- The generation gap: the current generation is not always confident that their children are ready and able to take over.
- The credibility gap: The next generation say they have to work harder than others in the firm to prove themselves.
- The communications gap: Family businesses have to manage personal as well as professional relationships, and this brings with it the possibility of conflict.

Confident generation ready to make their mark

Two years on, the picture has changed – and broadly for the better. The next gens' confidence has risen, their horizons have widened, and their preparation for senior roles has improved. For instance, 70% have worked outside the family firm to gain useful experience and bridge the credibility gap before joining the family business. Survey respondents say they want to be more than just 'caretakers': they also want to leave their stamp on the business and are not timid about bringing in outside help to achieve their goals. 69% would bring in experienced non-family managers to help modernise/professionalise the business.

“Another trend we're observing in our work with family firms is that many talented next gens are becoming much more selective about the role they take on,” says Ng Siew Quan, PwC Asia Pacific Entrepreneurial & Private Clients Leader. “They want a job that match their skills, and where they can excel. They have a deeper and more nuanced understanding of what running the family firm is going to mean in the coming years, and they're asking themselves what they have to offer that would help take the business forward. We are seeing this both in Asia and at a global level.”

Revolution or evolution?

But despite their growing confidence and clear ideas of where they want to take the business, these next gen still experience a strong “pull of the past”. They aim for a revolution, but for the time being foresee an evolution – at best. 40% confessed to some degree of frustration in trying to get new ideas accepted by the current generation and 52% of are worried that they will need to spend time managing family politics.

While family firms can – and do – reinvent themselves, not all of them manage to adapt that quickly, and there can be a tension between respecting

the processes (and the products) of the past, and seizing the opportunities the next gen see for the future. For instance, 59% of next gens would like to diversify their product portfolio, but 68% believe their firm is unlikely to make this change, even a decade ahead.

Ng Siew Quan: “Digital is an obvious area where a generation gap still lingers. Many next gens struggle to convince their parents that the firm needs to do more on digital. Only 41% believe their firm has a strategy fit for the digital world and 29% believe that family firms are slower than other types of business to keep up with new technology.

Sometimes it is the perception that it is difficult to quantify the return on investment, particularly since investing in new technology usually involves large sums of money.”

The succession question

Succession is still a worry for those taking over family firms. Unknowns such as how the current gen will adapt or how the next gen themselves will measure up are still a major factor.

The process is often plagued with different opinions and needs between generations, some of which are often not communicated. To smoothen the process of transition, robust governance helps to establish guidelines and structured systems to manage conflicting ideas and expectations.

Good governance remains an important priority for family businesses in general, and next gens in particular. Says Ng Siew Quan: “Good governance can really help next gens feel prepared for entering the family business and develop the confidence to meaningfully participate in family and business discussions. They take real comfort from knowing how distinctions are drawn between family and business matters, and from having a clear framework which provides for their education and development.”

Also, a reluctance of the current generation ‘to let go’ – what we’ve referred to in the past as ‘sticky baton’ syndrome. 61% believe that it will be difficult for the current generation to fully let go when they take over. States Ng Siew Quan: “It is key to remember that succession is a process not an event: the

next generation need to be fully prepared to take over, with their parents' support, and after the formal handover the parents can continue to offer help and guidance, as long as they accept they're no longer making the decisions.”

Ends

Notes

1.For more information, visit <https://www.pwc.com/nextgen>.

2.Survey methodology: The Next Generation Survey is a global market survey of next generation members working in family businesses. 268 Semi-structured interviews were conducted with next generation family members who work for the company and might manage the business / take on a key role one day. Interviews were conducted between 14 January and 28 February 2016 by telephone and via an online survey in local language across 31 countries.

3.A panel discussion with experts will be streamed live from PwC Madrid at http://pwc.qualtrics.com/jfe/form/SV_6PrLOSv4JW8aiRn. The panel, chaired by Sian Steele and will include experts Henrik Steinbrecher, Ng Siew Quan and a next gen, Caroline Lubbers.

4.In the Family Business Next Gen report 2016, Juliette Johnson also shares 10 golden rules for ambitious next gens and the report includes more information about PwC's new initiative the “PwC Next Gen Club”. This network programme of exclusive and exciting events that bring together the next generation of family business leaders across the world.

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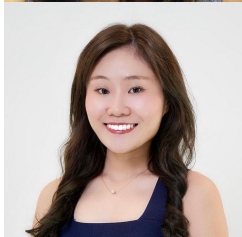


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