



How to build a lasting competitive advantage through your values and purpose in a digital age

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Strong desire for family businesses to grow and ‘keep it in the family’, finds PwC survey

Singapore, 14 November 2018- Family businesses in Singapore are optimistic about growth and have a strong desire to keep their businesses in the family, according to the Global Family Business Survey 2018 released by PwC. This year’s survey found that the majority of Singapore family businesses surveyed (89%, vs. 84% in both Asia Pacific and globally) are expecting to grow in the next two years and are involving next gens in their leadership team (63%) and senior executive roles (53%). This is significantly higher than the regional

and global responses which stand at 48% in Asia Pacific and 43% globally in leadership, and 38% in Asia Pacific and 36% globally in senior executive roles.

However, the survey also finds that a mere 8% of Singapore family businesses have a robust, formalised and communicated succession plan in place, lower even than the Asia Pacific responses at 12% and global responses at 15%. In addition, only around a third in Singapore (34%, vs 43% in Asia Pacific and 49% globally) have a costed, formalised and documented mid-term plan. The mismatch in these two areas could prove to be major stumbling blocks to success for family businesses.

Said Ng Siew Quan, Asia Pacific and Singapore Entrepreneurial and Private Business Leader, PwC:

“The biggest challenge standing in the way of family businesses thriving in Singapore today and into the future is the lack of formalised processes in areas of mid-term strategic planning. This is also tied to their strategic competencies including mitigating risk and challenges, digitalisation and innovation, and succession planning. The disconnect is quite concerning, but it also sends a clear signal to family businesses in Singapore on what can be concretely done to mitigate these risks.

“The constant themes through the last nine years of this report have been around robust succession planning and the passing down of family values to form a family legacy. The basics of proper processes to professionalise the family and business are central to success.”

Challenges to growth

The top three challenges cited by family businesses in Singapore are the need to constantly innovate (79%, vs 65% in Asia Pacific and 66% globally), the economic environment (68%, vs 57% in Asia Pacific and 56% globally), and international competition (58%, vs 38% in Asia Pacific and globally). The top three challenges globally are the need to constantly innovate, accessing the right skills and capabilities (60%, vs 53% in Singapore and 58% in Asia Pacific) and digitalisation (44%, vs 45% in Singapore and 40% in Asia Pacific). This reflects how the open nature of the Singapore economy is an added dimension of complexity for Singapore family businesses.

This year's survey also identifies that the strong family values and aspirational purpose which family businesses are often built upon are inherent advantages over non-family business which can be turned into winning strategies to help secure profitable, long-term legacies. However, while 71% in Singapore (vs. 70% in Asia Pacific and 79% globally) reported that they have a clear sense of agreed values and purpose as a company, only a third (34%) of family businesses surveyed have their values articulated in written form (vs 42% in Asia Pacific and 49% globally).

Among those family businesses reporting double-digit annual growth globally, 53% were able to point towards a codified set of values. This reflects the increasing emphasis needed on integrating business ownership strategies and family business growth strategies.

Said Ng Siew Quan, Asia Pacific and Singapore Entrepreneurial and Private Business Leader, PwC:

“The message is clear: adopting an active stance towards family business values generates practices that pay off in real terms. A commitment to a clearly defined set of values can act as an ‘inner compass’ for a family business as it navigates the challenges of technological and competitive disruption.

“What this survey clearly indicates, however, is that family business values, although similar, are not the same as family values. Business values should be clearly defined and articulated, but also strongly embedded in the business culture and the day-to-day decision-making regularly reviewed.

“In the digital age where ‘innovation’ is the name of the game, and the ability to constantly reinvent the business is integral to securing long-term success and legacy, there’s never been a more pressing time for family businesses to get their fundamentals – underlined by their family business values – right.”

The PwC Family Business Survey also shed light on the growing need for family businesses to consider how to secure their legacy as they go digital.

According to Ng Siew Quan, Asia Pacific and Singapore Entrepreneurial and Private Business Leader, PwC, successful digital transformation requires more than just bridging the technology gap. It also requires cultivating the right

mind set and culture that enables the right talent. To ensure that their legacy continues into the digital age, the current generation of family business owners can consider these five principles:

1. Accept the reality that, thanks to the digital revolution, the world is different from the one you have experienced in the past as a family business founder and owner. You might have to rethink your assumptions about the way your business creates value.

2. Recognise that the next generation in your family business can play an important role in ensuring you are digitally fit-for-purpose – and so ensure your legacy in a rapidly changing world. Accept that you need help. What better way to get help than from the next-generation members of your own family?

3. Empower your next-generation family members, let them experiment and let them gain experience outside your business. Crucially, let them have the resources to do so. When they enter your business, agree with them on whether they have a custodial or ‘intrapreneurial’ role in a digital transformation – that is, whether they are merely stewards of the existing business or they will be given support and space to try a digital idea – some incubation capital, for example.

4. Enlist and encourage next generations to bring older employees along on the digital journey through ‘reverse mentoring.’ Reverse mentoring of parents counts, too!

5. Inculcate the family’s values and those of the business into the new digital business you are building. Don’t assume that by adopting digital strategies you somehow need to change your family or business values; they usually remain as they were.

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Notes to editors:

Find the full report: at www.pwc.com/fambizsurvey2018

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About the research

PwC surveyed 2953 companies in 53 countries covering a wide range of sectors from agriculture to technology.

Between 20 April 2018 and 10 August 2018, 2,953 semi-structured telephone, online and face-to-face interviews took place with senior executives from family businesses in 53 territories worldwide.

The interviews were conducted by Kudos Research, in the local language by native speakers, and averaged between 30 and 40 minutes. The turnover of participating companies ranged from US\$5m to more than US\$1bn. All results were analysed by Jigsaw Research.

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