

Keeping pace with change

International conclusions

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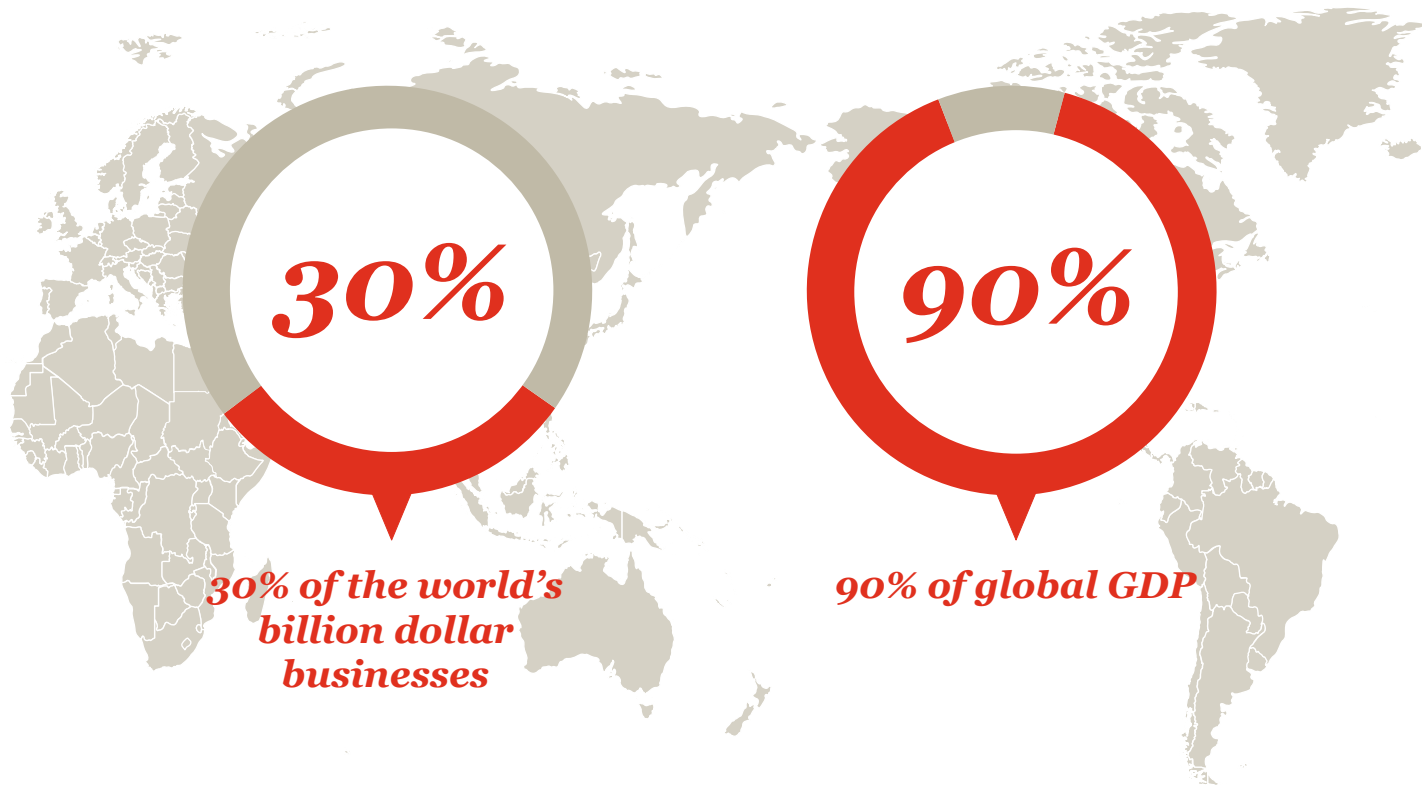
*Family business
survey launch –
Lisbon, Portugal*

*Wednesday
14 January 2015*



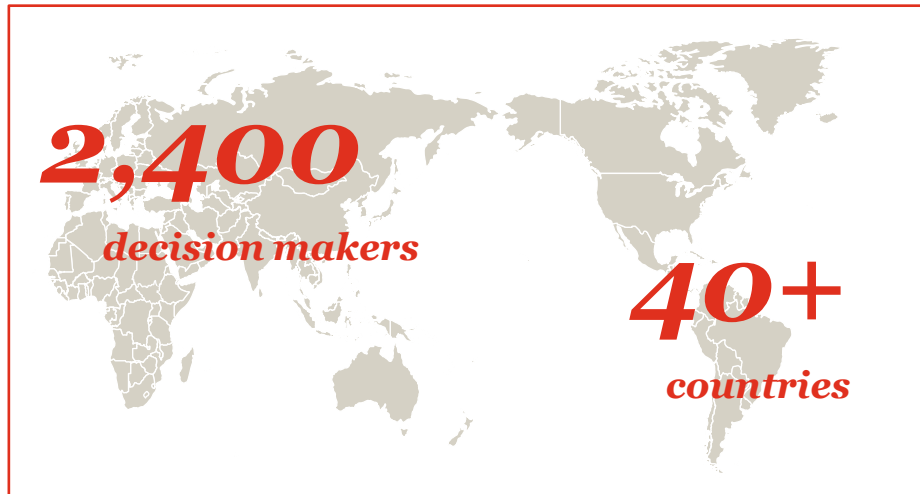
How important are family businesses to the global economy?

They make up 30% of the world's billion dollar businesses, and deliver up to 90% of global GDP



The importance of good governance

In the recent Global Family Business Survey
we interviewed:



↑ procedures in place to deal with
conflict resolution.

	2012	2014
Shareholder agreements	49%	54%
Family councils	29%	32%
Provisions for third-party mediation	24%	27%
Family constitutions	19%	22%

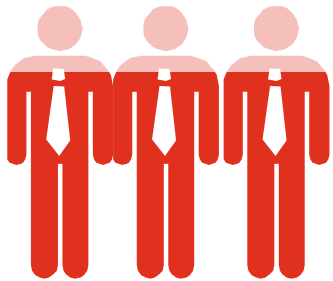


40%

of our respondents agreed that professionalising the business remains a key challenge over the next 5 years)

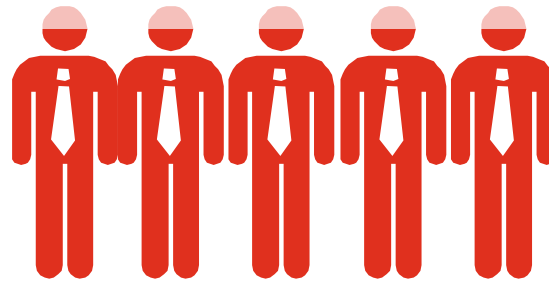
The importance of good governance – Successful succession

‘If you fail to plan you plan to fail’



12%

(Only 12% of family businesses survive to a third generation)



1%

(The number surviving further than a fifth is as small as 1%)



+65

(Only 16% of respondents had a robust and documented succession process in place, and that number was still as low as 25% even for respondents aged 65 or over)

The importance of good governance – Ownership vs. management

We have seen an increasing number of parents passing on ownership but not management of the business to the next generation



25% *in 2012*



32% *in 2014*



The role of the family business in a changing world

In the 20th century, global growth and prosperity were driven by the developed markets of Europe and North America and publically listed companies were leading players.

The 21st century economy will be powered by the emerging nations, with their young and growing populations e.g. BRICs, Latin America, Asia and Africa.

Dominance of multinational will be challenged by firms from within the new powerhouse economies, and many of those will be family businesses.

According to recent research by McKinsey, in 2010, around **60%** of the billion dollar businesses by revenue in emerging markets were owned by founders or families.

Even more significant – Another 4,000 of these family firms could hit \$1 billion in sales by 2025, and if they do, family businesses will account for nearly **40%** of the world's largest enterprises, up from 15% in 2010.

The future of the family firm

‘The only constant is change’

65% of our survey respondents reported growth in the previous twelve months

70% expect to grow steadily over the next **5** years

Growth ambitions are particularly strong in the Middle East, China and India

In order to capitalise on growth opportunities businesses will need to:



Be more agile and flexible than ever before

1



Challenge themselves and anticipate change as opposed to reacting to it

2



More beyond their comfort zone

3



Innovate faster and better

4



Successfully navigate the global megatrends

5

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