



Today and beyond:
The next generation
challenges the status quo
of family business

PwC's Global NextGen Survey 2022



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Foreword

PwC's Global NextGen Survey 2022, the most extensive survey of the next generation of family business leaders we've ever conducted, reflects the extraordinary times we're living through. The COVID-19 pandemic is testing companies around the world, and family businesses are rising to the challenge.

Our survey shows how the pandemic has united the generations around a common goal: driving growth to secure the stability of the business and the family. But this is just the beginning of the story.

The business landscape is shifting rapidly, and the responsibility and challenges you face as future leaders are complex. Business as usual isn't an option in a world characterised by economic disruption, pervasive uncertainty and climate change. You understand this, and you, in particular, see the vital link between environmental, social and governance (ESG) concerns and growth.

You also understand that family businesses can and should lead the way on ESG. To get this message across, you'll need to win the trust of the current generation while challenging the status quo. You'll need a new generational contract.

We know you're ready to do this. Our survey shows your desire to learn new skills and your commitment to building trust, the hallmark of family businesses everywhere. That's an optimistic message in challenging times.

Be the inspiration. Drive the change.



Peter Englisch

Global Family Business and EMEA
Entrepreneurial and Private Business Leader,
Partner, PwC Germany

A message from The Family Business Network

The Family Business Network (FBN) is excited to collaborate with PwC on this year's global NextGen survey, as FBN celebrates the 20th anniversary of its own next-generation community.

The COVID-19 pandemic has accelerated the transition of power in many business families and allowed a new generation of family leaders to challenge the status quo. From the results of the survey, we've learned that they're well-equipped with traditional skills, including finance, management and business administration.

Yet leadership today requires new approaches and competencies. Embracing diversity and developing new talents will be essential ingredients if next-generation members are to establish their leadership style, make their mark and build their own legacy. By harnessing the ESG revolution, they can unlock new opportunities and create value for all stakeholders.

More than ever, NextGens have the capacity to shape their family business and make an impact as they take up responsibilities as managers and (future) owners. With business families representing more than 70% of the economy, their collective impact can make a huge difference.

We encourage you to share the insights from this survey with family members, top managers and peers, and join us on this exciting transformation journey.



Alexis du Roy de Blicquy
CEO, The Family Business Network



NextGen priority: The growth imperative for family businesses

When it comes to the future success of the family business, you know what you want, and it comes down to one word: growth. Sixty-five percent of you say it is a top priority. This isn't surprising. For family businesses, growth is the product of a stable business and a measure of success in a changing world. It's essential to maintaining and building on the legacy that previous generations created and to securing the family's continued prosperity and wealth. It's a message from the next generation that they can deliver, too.

As the family expands through the generations, this growth needs to be in double digits. But growth alone is not enough. Success for family businesses is multidimensional.

The three dimensions of a family business



Business

Business (the engine): The business needs to grow 10% every two to three years through organic growth, diversification or impact investing to serve the family interests.

Future focus: Develop the capabilities to deliver on environmental, social and governance (ESG) concerns.



Family

Family: A united family, supported by a strong constitution and governance, supports growth.

Future focus: Establish a generational contract to bolster succession planning and sustainable transformation.



Wealth

Wealth: Adequate wealth reserves ensure that the family maintains or enhances its position.

Future focus: Family Offices can strengthen business prospects and foster asset diversification.





The key question now is how you'll deliver growth when faced with the existential challenges of today: climate change, pandemic disruption and technological advances. What capabilities do you need, as the leaders of tomorrow, to ensure the prosperity of your family business? And how can you prove yourselves capable custodians of the business' and family's future?

Growth is a complex area for family businesses, with emotional as well as financial elements in the mix. You may know the rule of thumb: every two to three years, the business needs to grow by 10% to keep family wealth at a constant level as the generations expand. It's a tough ask for any business, made even tougher by the pandemic and the threat of climate change.

We believe that a business-as-usual approach, one that continues the way the family enterprise is currently run, won't be enough. As leaders-in-waiting, you'll have to develop your own blueprint for success. And to maintain stability and achieve the growth necessary to earn your 'licence to operate,' you'll find yourself pushing boundaries and challenging years of established thinking — 'the way it has always been done.' You'll need new capabilities beyond digital expertise to deliver on environmental, social and governance (ESG) concerns: to reach net zero, to manage the evolving workforce trends as we face the 'great resignation'¹ and to identify new markets in a post-pandemic world.

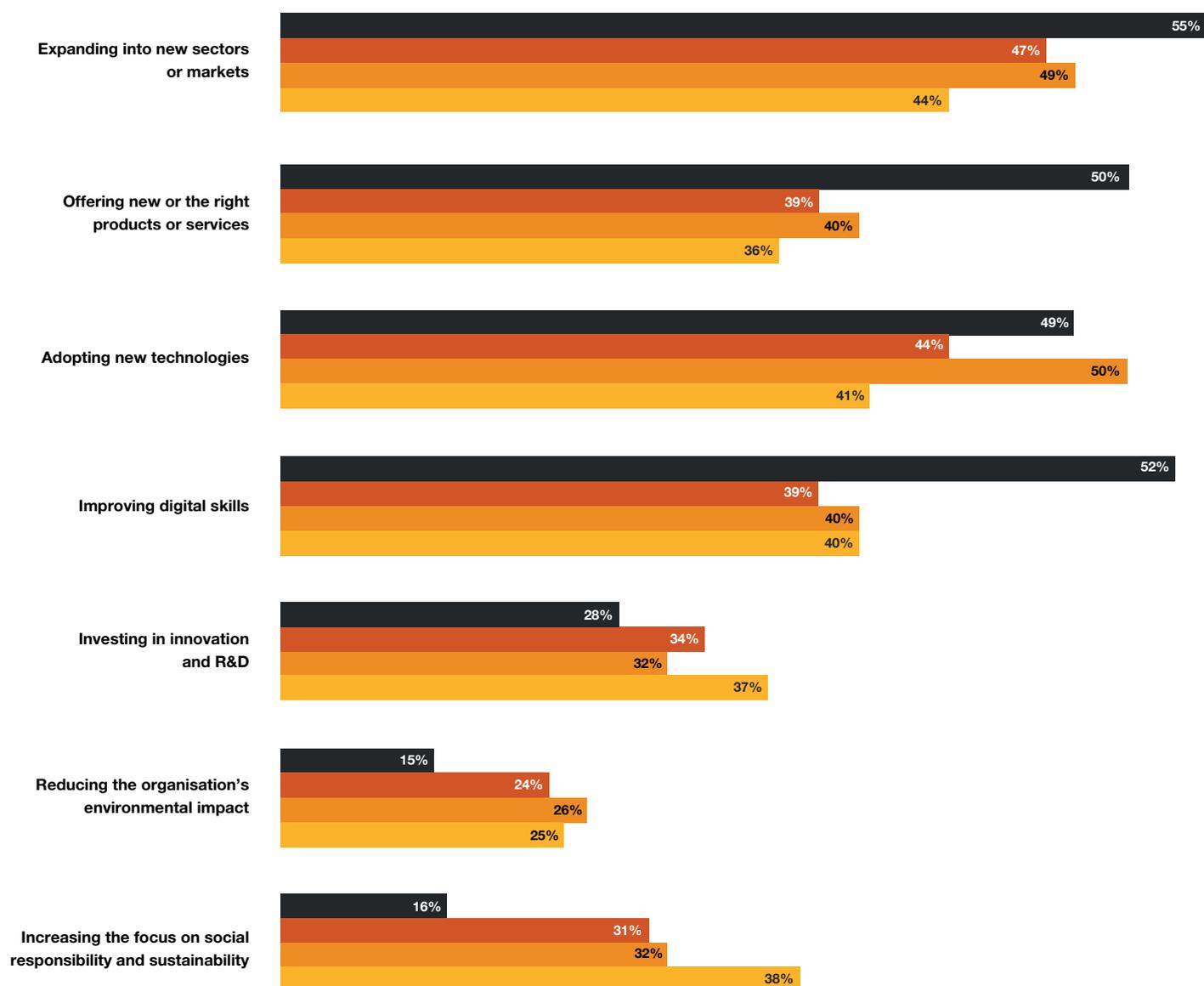
¹ The editorial board, 'The great resignation is not going away,' *Financial Times*, 1 Feb 2022, www.ft.com/content/857bdeba-b61b-4012-ab82-3c9eb19506df.

For the moment, it's surprising just how aligned the generations are in their priorities. The most significant divergence is on the topic of sustainability, which is more of a focus for Gen Z than for its elder cohorts.

Generational priorities: Like parents, like children

All generations in a family business look to grow through new markets. Gen Z is more likely to prioritise sustainability.

■ Current Generation ■ All NextGen ■ Millennials ■ Gen Z



Note: Responses are drawn from a 2021 PwC family business survey and the present NextGen survey. The list of priorities in the family business survey included 'introducing new products and services' and 'increasing the organisation's social responsibility.' The NextGen list formulates the questions as 'ensuring we offer the right products and services for today's customers' and 'increasing our focus on investments for sustainability and impact.'

Sources: PwC's Global Family Business Survey 2021 and PwC's Global NextGen Survey 2022



Time to act on ESG

It's true that being focused on digital skills and new technology proved invaluable during the pandemic. In our 2019 NextGen survey, 64% of your peers felt that they could add significant value to the business by helping to develop a strategy fit for the digital age. Then, the pandemic presented an urgent need for your expertise. Today, almost half of you (44%) are actively engaged in adopting new technologies. For one in five of you, the pandemic accelerated your engagement with the business in this area.

You clearly have much more to give. Sixty-four percent of you believe there's an opportunity for family businesses to lead the way in sustainable business practices. We'd argue that you need to speed up your plans. Seventy-two percent of you say you expect to be involved in increasing your business' focus on investments for sustainability *in the future*, but only 28% are doing this now. And though two-thirds of you expect to be involved in reducing your business' environmental impact in the future, only one in four is already involved today.



Every business leader wants to grow their business. This is where NextGen owners come in. Understanding and accounting for how ESG dimensions of performance may create or erode enterprise value is essential to pivoting with society towards a more sustainable future.”

Susanne Stormer
ESG & Sustainability Services Leader
PwC Denmark



72% of NextGens expect to be personally involved in increasing the business' focus on investments for sustainability impact in the future.

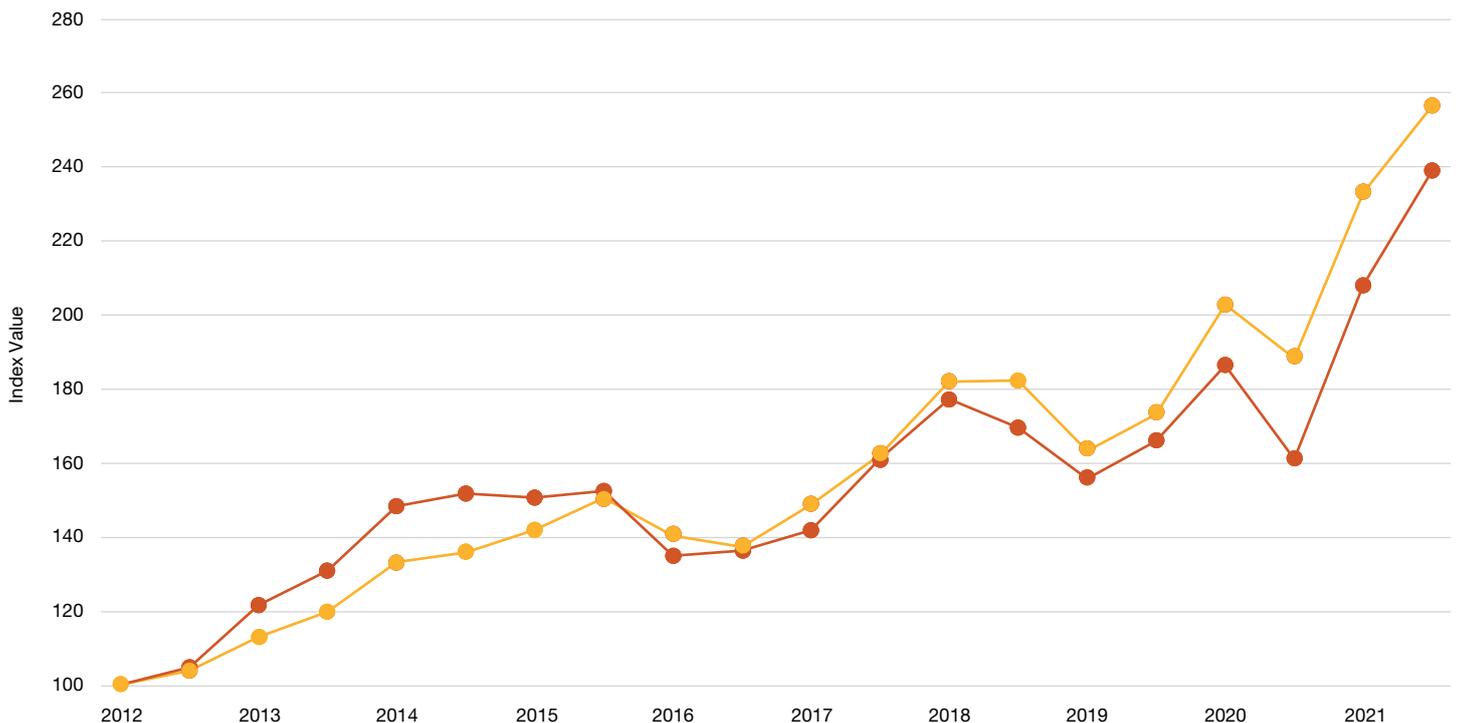
28% are doing it now.

Research by Family Capital shows that in recent years, publicly listed corporations that prioritise ESG and have better ESG risk ratings, as a group, than family businesses have begun to outperform family businesses in terms of market capitalisation. These results indicate that family businesses are losing their trust premium. As ESG climbed up the investor agenda, family businesses lagged behind, and investors took note.

Businesses that have better ESG risk scores also have higher market values

As sustainability became more important to investors in the past decade, the market capitalisation of family businesses began to trail that of nonfamily businesses.

■ Family Business Index ■ Corporate Index



Note: Family Capital rated the top 100 family businesses and the top 100 nonfamily businesses using an ESG risk profiler. The index value is set at 100 on 1 Jan 2012.

Source: David Bain, 'Family businesses fall behind non-family companies on ESG and lose their trust premium,' *Family Capital*, 16 Sep 2021, www.famcap.com/2021/09/exclusive-research-family-businesses-fall-behind-non-family-companies-on-esg-and-lose-their-trust-premium



Educating future leaders

A crisis like the pandemic reminded businesspeople at all levels that their training and career path can't prepare them for everything. Indeed, 28% of you believe the pandemic identified a need for upskilling and additional education. But when we asked what you think you need to learn, the list was a familiar one: finance (53%), leadership development (48%) and business model innovation (41%).

Sustainability was identified as a priority by only **24%** of you.

Most of you already have excellent business qualifications—89% of you have completed at least a university degree, the majority in business and finance, and 17% of you hold an MBA or doctorate. But is more of the same the right solution today?

Family businesses—indeed, all businesses—need new perspectives if they're going to take full advantage of all the opportunities in the transformational years ahead. Business schools are beginning to recognise this, and many are exploring a more multidisciplinary approach to business and leadership, one that places a far greater emphasis on people, planet and purpose, instead of pure profit maximisation.

In its [Responsible Business Education Awards 2022](#),² the *Financial Times* quotes Omid Aschari, associate professor at the University of St. Gallen, in Switzerland, on the need to embrace a new approach to preparing the next generation of leaders that reflects the existential crises the planet is facing: 'The risk is that if students do not see the real world reflected in the curriculum, then business schools will become museums of management history.'



Meet Oge Elumelu, Nigeria

Developing analytical and soft skills

Oge, the eldest daughter of Nigerian economist and businessman Tony Elumelu, is studying politics and philosophy at the London School of Economics and expects to work at the [Tony Elumelu Foundation](#), which her parents started in 2010. The foundation, which empowers entrepreneurs across Africa, is part of Heir Holdings, the Elumelu family's private investment firm, where Oge has volunteered since she was 14.

Oge chose not to study finance and business because she wants to develop and use both her analytical and soft skills. To this end, she has also co-started a podcast called Talk Africa to air views and ideas pertinent to sub-Saharan Africa, including socioeconomic inequality and feminism. She's also a Young People's Action Team ambassador for UN Generation Unlimited, the United Nations global movement aimed at helping young people from marginalised communities.

'These are extracurricular activities that sit at the core of my passions and goals, and I am confident they will help me as I begin working at the foundation in the near future and contributing meaningfully to the foundation's work via the multiple skills I'd have acquired over time,' she says. 'I am passionate about giving back to Africa, and it is important to me that I do this not just by giving out handouts, but by investing in people and making a real, long-standing impact in their lives.'

The foundation has funded more than 15,000 young African entrepreneurs, and more than 400,000 direct and indirect jobs have been created across the continent.





Securing the family's future

Our survey shows how the pandemic has brought family business generations together. You told us that it strengthened cohesion, accelerated succession planning and united everyone towards a common goal: to drive business growth. It brought forward your involvement in the business, and many of you say that it strengthened communication between generations. Almost half of you feel more committed to the business than you did before the pandemic.



It is not easy to transition from the driver's seat to the passenger's seat. But I felt heartened that my next generation could take the family business to the next level because of how they have stepped up to build mutual trust and credibility with the current generation."

Gan See Khem, Ph.D.

Executive Chairman and Managing Director
Health Management International Ltd, Singapore



But there's also a disconnect in levels of responsibility. Indeed, our previous survey showed that more of you were given significant opportunities in the business before the pandemic than today. In our 2019 survey, 48% of you said you were given significant internal operations to lead. Now it's 28%. In 2019, 36% said you were used as a sounding board. Today it's 32%. And today, one in four say it's difficult to get an understanding of how the business or Family Office operates. The current generation is even less keen to let go than in the past, even though it's clear that you, the future of the business, want to prove you've got what it takes.

Proving yourself: The current generation is holding on to control

The pandemic has brought families together.

43%

of NextGens say they're now more involved in the business than they were prior to 2020.

36%

say the pandemic resulted in stronger communication with the current generation.

43%

say they feel more committed to the business than they did before the pandemic.

But the current generation is making it hard for NextGens to prove themselves.

14%

report being given a project during the pandemic they might not have been asked to lead before.

45%

find it difficult to prove themselves as a new leader or board member.

57%

say that the current generation's hesitation to retire is a problem.

Source: PwC's Global NextGen Survey 2022



61%

of NextGens say their family businesses now have a succession plan in place.

Succession plans

The decision to give control to the next generation is a huge, once-in-a-lifetime event. Owners need to feel confident that the business is in safe hands, and you, its future leaders, need to provide the reassurance that you understand the challenges and have the skills to protect and grow the business.

The good news is that the pandemic focused the minds of family businesses on succession planning. In PwC's Global Family Business Survey 2021, 30% of the current generation said there was a robust plan. Today, 61% of NextGens say the family has a succession plan. Still, the current generation is holding on tight for now: 39% of NextGens say there is a resistance in their company to embracing leadership change.

But what being prepared for succession means in practice is rarely articulated—and in the absence of that discussion, many of you believe that the way to win the confidence of the current generation is to follow its example, rather than forge a different path. Our survey results show that tendency—and they explain why your firm conviction that ESG is tied to growth has yet to be translated into action.

An honest generational contract that communicates expectations on both sides will inspire confidence. Now that communication is clearer between the generations, as noted above, and better succession planning is in place, it's time to work out the details. What leadership skills and experience are required to allow the business to thrive? What will deliver growth in the future? And what are the stages and landmarks on the route to succession—what do NextGens have to achieve to be awarded a place on the board, for example? (See 'Educating future leaders,' above.)

“



The responsibility for generational transition does not fall solely on the shoulders of the current generation. NextGen can play an active role by 'managing up,' based on mutual respect and good communication across generations, to set the pathways for senior leaders that affirm their identity and status.”

Kenneth Goh, Ph.D.

Professor and Academic Director, Business Families Institute
Singapore Management University

Bridging the family gender gap

If family businesses are looking for a quick win in terms of widening the diversity of their thinking, they should start by looking at the relative role of male and female NextGen members. Although women, like their male peers, want to focus on business growth as a top priority (53% for women versus 69% for men), they're marginally more focused on ESG concerns: improving working conditions and sustainability are higher on their list than they are for their male counterparts.

The big difference comes down to leadership expectations: **35% of your female peers believe their male counterparts are more likely to be expected to run the business.** Asked the same question, 41% of men believe they are more likely to lead. This could be because women are less likely to be in a leadership role now—43% of women currently hold leadership positions versus 59% of male respondents. One-quarter of female respondents say they need to understand more about the business before they could suggest any changes, compared with 13% of their male counterparts.

This should send a clear message to the current generation: focus on bridging the gender gap in the family.





Meet Isabelle Randon Frota, Brazil

Aligning intergenerational values

In 2018, Isabelle helped set up a committee of the third generation of the Randon family business to identify what its role would be in the future. The goal is to align intergenerational values with those of the company's founders, Isabelle's grandfather and his brother. Started in 1949, Randon Companies has grown into a multinational organisation specialising in auto parts, trailers, semitrailers and financial services, with 29 business units in 120 countries worldwide and gross revenue in 2021 of BRL13.2bn (US\$2.56bn).

'You don't just wake up one day and suddenly know your responsibilities and role in the family business,' Isabelle says. 'There are 12 of us in the third generation, and we all need to learn, prepare and practice.' Though she, her sister and cousins have visited the company's operations from a young age, the committee formalises the development processes and provides a forum for intergenerational communication and for ensuring that the family's strong values are nurtured and passed on.

'As a company, we are professionalising our governance constantly, and we have been part of that as the third generation,' she says. 'And we all want to become responsible shareholders in the future. The continuous improvement in academic education, social responsibilities and deep understanding of the family values are examples of how we are preparing for that.'

Isabelle, who is on the advisory committee of The Family Business Network Brazil, started her own consultancy in 2021 to help family businesses develop succession strategies to give NextGens the opportunities and support they need.





Future wealth management

Creating the double-digit growth that family businesses need in order to ensure that the generations maintain the wealth of the business is a tall order in a world gripped by crisis. And it's a big responsibility for you as NextGens to inherit. As noted, family businesses that haven't fully embraced ESG are already underperforming their nonfamily business counterparts in the capital markets. That's why it's important to bring together the aspirations that you have to lead on ESG with the commitment to take action.

It's notable that family businesses that have a Family Office understand the importance of ESG in securing their future prosperity. Forty-two percent of you say that your business has a Family Office, and the survey data shows that this triggers more professionalism throughout the business. Businesses that have a Family Office are more advanced in integrating ESG thinking—43% have a sustainability strategy, for example, compared with 37% of those with no Family Office. They also show more discipline regarding family governance, in part because they represent larger families; they're more likely to have a written constitution and a succession plan in place.

Wealth management and the concept of ownership competence go together. Ownership competence is the skill through which ownership—and the control it implies over resources—is used to create value. This will be vital in setting the future business growth agenda.





Ownership competence,³ a model developed by Professor Thomas Zellweger of the University of St. Gallen, focuses on three elements that align with what we call the owner's agenda:

- What is owned: how owners combine resources to create value today and in the future.
- How it is owned: setting family governance, choosing leaders and managers, and providing incentives to maximise value creation.
- When it is owned: timing of ownership decisions, such as succession planning and the staging of investment.

If a business is to create sustained growth, it must pay attention to all three. You as NextGens have your own approach to these three elements. From our survey results, we see that you lean towards a more focused ESG agenda, but either don't think you have the green light to move faster in this direction or aren't yet making it a priority.



The concept of a Family Office has gained momentum in recent years, in light of a massive wealth transfer between generations and the increasing complexity of the family-ownership-business ecosystem. The increased wealth in family businesses in Asia is also fuelling this growth. If done right, the Family Office can play a critical role in ensuring sustainable business growth as well as preserving the wealth and unity of the family.”

Peter Vogel, Ph.D.

Professor of Family Business and Entrepreneurship, International Institute for Management Development (IMD)



³ Nicolai J. Foss, Peter G. Klein, Lasse B. Lien, Thomas Zellweger, Todd Zenger, 'Ownership competence,' *Strategic Management Journal*, Vol 42, Issue 2, Feb 2021, www.onlinelibrary.wiley.com/doi/full/10.1002/smj.3222.



Meet Vincent Fong, Hong Kong

Gaining experience outside the family business

Vincent is a fourth-generation member of a family real estate business but is making his mark as a serial entrepreneur outside the sector. That's something he believes will help his family in the long run, because it will bring innovation into a business that's largely driven by capital. 'It's more difficult to create something outside of the safety net of the family business, but I see this as a win-win situation,' Vincent says. 'It's not just about getting recognition for doing something by myself. It's about how we can use this business to strengthen the family's position and progress.'

In 2018, before the pandemic, Vincent co-founded [Raze Technology](#), a company that uses advanced technology to create sustainable, long-lasting cleaning products and self-sanitising materials, including masks and disinfectants. It aligns his interest in scientific advances with sustainability. 'When you do something new, I find it's a good way to inspire your family business to adopt a more innovative approach,' he says. Raze is the third business Vincent has started, and he's not yet 30 years old.



In times of crisis like COVID, families band together around a common purpose. They derive more personal connection and meaning from their shared legacy, and this increases their commitment to the family business. Encouraging cross-generational dialogue around purpose, to ensure that purpose is meaningful to current and future generations, is a key to success."

Jennifer Myatt Pendergast, Ph.D.

Clinical Professor, Executive Director,
John L. Ward Center for Family Enterprises
Northwestern University

How to challenge the status quo: Become the leader your family and business need

Winning the confidence of the current generation and demonstrating that the business will thrive in your hands will take work. The world is changing, and the business techniques of the past will no longer be enough. You must earn the right to challenge the status quo and to discover the growth opportunities to ensure your family legacy. It takes what we call a community of solvers: people coming together with different skills to deliver success.

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1 Reimagine business success and build the foundations of sustainable growth. ESG is becoming pivotal to business growth—and, as NextGens, you need to take a lead in building an ESG strategy. You now have many more options for acquiring the new skills you'll need to address these challenges. For example, you can [learn what developing a net-zero strategy entails](#), how to decarbonise your business footprint and what impact your business has on others.
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2 Don't be afraid to take a different path. Don't shy away from fundamental questions. A new book by PwC's Paul Leinwand and Mahadeva Matt Mani, *Beyond Digital: How Great Leaders Transform Their Organizations and Shape the Future*,⁴ sets out [seven leadership imperatives](#)⁵ that are essential to shaping a company's future. The first is to reimagine the company's place in the world: what unique value does your company create? And what capabilities allow you to create that value better than anyone else? You, as NextGens, are well-placed to speak up and take action.
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3 Articulate and negotiate a generational contract. Though family businesses are more willing to talk about succession as a result of the pandemic, [the stages and conditions of succession](#) are often unclear. It's vital to have an ongoing conversation about what will drive growth in the future and your role in achieving it. It's also vital for there to be a clear understanding of what you need to do, as NextGens, to win the trust and confidence of the current generation.
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4 Hone your leadership skills. You know you have a lot to learn and still feel you need to prove yourself. But leadership today requires [a different set of capabilities](#). It's time to question whether you want to create yourself in the image of the older generation in order to be recognised as a potential leader. New times require new types of leaders.

If family businesses are to succeed in a rapidly changing environment, they need visionary leadership.

This is a watershed moment. It's time to reimagine what success means—and you, as NextGens, have the foresight to lead the way. You know the path the business must follow; it's up to you to become the leader your business needs. Be yourself. Be different. Drive change.

⁴ Paul Leinwand and Mahadeva Matt Mani, *Beyond Digital: How Great Leaders Transform Their Organizations and Shape the Future* (Harvard Business Review Press, 2022).

⁵ Paul Leinwand and Mahadeva Matt Mani, 'Seven imperatives for moving beyond digital,' *strategy+business*, 21 Dec 2021, www.pwc.com/gx/en/issues/transformation/leadership-in-the-digital-age.html.

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About the NextGen survey

PwC's Global NextGen Survey 2022 is an international market survey among next-generation members in family businesses. The goal of the survey is to get an understanding of what NextGens are thinking on the key issues of the day, what role they are playing and what roles they think they should play. The survey was conducted online, with 1,036 interviews in 68 territories, between 8 October and 12 December 2021.

Thanks and acknowledgements

We'd like to thank the 1,036 NextGens who generously gave their time to respond to our survey, and:

Lulwa Al-Soudairy, Jamie Cooper, Gabriela Fabian, Nicole Gilbertson, Hristo Hristov, Stasshani Jayawardena, Sean Jolayemi, Cindy Karim, Dr Linda Lehner, Yinmeng Liu, Elia Nuqul, Charlie Rubin, Wongsakorn Sirimongkolkasem, Jasper Yildirim

We'd also like to thank the NextGens who told us their stories, which have added colour, insights and a personal touch to our survey findings.

Oge Elumelu, the Tony Elumelu Foundation; Vincent Fong, Raze Technology; Isabelle Randon Frota, Randon Companies

We're indebted to the insights and contributions of the following PwC experts.

Peter Englisch, PwC Germany; Hannah Harris, PwC UK; Renee Klein, PwC US; Catharina Prym, PwC Germany; Ng Siew Quan, PwC Singapore; Susanne Stormer, PwC Denmark

This survey would not have been possible without the commitment and dedication of our report writers and our research, design and web agencies.

Liz Fisher, report writer; Jigsaw Research (James Flack, Sarah McKee and Ann Morgan); Brunswick Group (Adam Bracey); TheTin (Élann Carel-Maloney and Micaela Apes); Court Three (Mark Norman)

We'd like to thank those in PwC network roles who provided invaluable support and contributions.

Niall Anderson-Brown, PwC UK; Andrea Baars, PwC Germany; Edward Beese, PwC US; Sara Cooper, PwC US; Kunal Gandhi, PwC UK; Cydnee Griffin, PwC US; Christina Müller, PwC Germany; Romina Perchthaler, PwC UK; Michael Reeves, PwC UK; Deborah Unger, PwC UK; Neil Wilson, PwC UK

Academic perspectives

Professor Kenneth Goh, Singapore Management University, Singapore; Professor Jennifer Myatt Pendergast, John L. Ward Center for Family Enterprises at Northwestern University, United States; Professor Peter Vogel, Institute for Management Development (IMD), Switzerland; Professor Thomas Zellweger, University of St. Gallen, Switzerland



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