



Family businesses: Optimistic, entrepreneurial, open to disruptive technologies

KPMG and Family Business Australia
Family Business Survey 2015

Executive summary

OBJECTIVES AND PERFORMANCE

Top business objectives:



- 1 Product and service quality
- 2 Cash flow
- 3 Net profit

Top family objectives:



- 1 Financial security for the family
- 2 Personal challenge, satisfaction and rewards
- 3 Quality of life outside of work

Characteristics of high performing family businesses:



Have a **CEO** who is between **51 and 60 years of age**



Have **diversity** in their leadership/governance team



Utilise **governance** mechanisms that facilitate **agreement and communication** of expectations of the family, the business and shareholders



Adopt business management practices that focus on what is happening **outside** the business



Have an **entrepreneurial culture**



Are able to access the **financial resources** necessary to implement their strategies

MANAGING AND RESOLVING CONFLICT



Over **80%** indicated they had experienced conflict/tension between family members over the last 12 months

Sources of conflict:



- 1 Vision, goals and strategy
- 2 Balancing the needs of the business vs the family
- 3 Lack of family communication



Those with a Family Council were significantly less likely to have experienced conflict

EVOLVING GOVERNANCE MECHANISMS

The adoption of formal governance mechanisms is increasing

52% **Formal board**
39% 2011

43% **Shareholders' agreement**
36% 2013

31% **Family constitution**
20% 2011

TECHNOLOGICAL CHANGE AND FUTURE OUTLOOK

78%

feel **optimistic** about their future growth prospects

51%

believe technological change is creating disruptions in the way business is done – but overwhelmingly a **positive** impact

Technological change is having a positive effect on business (regardless of industry), improving:

- 1 The way they manage their business
- 2 Their internal business processes
- 3 The way they interact with customers
- 4 The viability of their current business model
- 5 The way they interact with their suppliers



However,

23%

believe technological change is increasing the level of competition (35% in the manufacturing sector)

21%

believe technological change is increasing the costs associated with doing business



are completely/mostly satisfied with the access to financial resources for activities and strategies



believe they will need to invest in additional staff/assets to seize opportunities



are very/extremely concerned with **increasing costs** of doing business

Threats to future growth prospects:

TOP 3

- 1 increasing costs
- 2 increasing tax burden
- 3 government response to current economic conditions

PREPARING FOR LEADERSHIP AND OWNERSHIP TRANSITIONS

Leadership:

76% of firms expected to appoint a new CEO in the next 5 years

60% of these firms intend to pass on leadership to a family member

55% of those passing on leadership in the next 2-3 years do not believe their successor is ready

Ownership:

72% expected to have some transfer of ownership in the next 5 years

64% of these firms intend to pass ownership solely to family members

CEOs believe their potential successor needs to work on:

- 1 Financial management
- 2 Strategic planning
- 3 Leading/managing people

Family businesses appear to be ill-prepared for exit/succession – however overall are more prepared than in 2013.

	2013	→	2015
A unifying strategy for the future of the business	19%	→	27%
Retirement plan for current CEO/MD	9%	→	9%
Preparing and training a successor before succession	12%	→	14%
Process for appointing new CEO/MD	8%	→	12%
Ownership transfer or sale plan	10%	→	21%
Estate plans	30%	→	42%

Contact us

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