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
- Utilise governance mechanisms that facilitate agreement and communication of expectations of the family, the business and shareholders
- Have a entrepreneurial culture
- Have diversity in their leadership/governance team
- Adopt business management practices that focus on what is happening outside the business
- 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:

- Formal board: 52% (39% 2011)
- Shareholders’ agreement: 43% (36% 2013)
- Family constitution: 31% (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

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

64% are completely/mostly satisfied with the access to financial resources for activities and strategies
69% believe they will need to invest in additional staff/ assets to seize opportunities
70% are very/extremely concerned with increasing costs of doing business

TOP 3 Threats to future growth prospects:
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 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

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

CEOs believe their potential successor needs to work on:
1. Financial management
2. Strategic planning
3. Leading/managing people

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Contact us

For further information about this survey or to find out how KPMG can help your family business, please contact:

Rob Bazzani  
National Leader,  
KPMG Private Enterprise  
+61 3 9288 5594  
rbuzzani@kpmg.com.au

Adelaide  
Ashley Miller  
+61 8 8236 3316  
amiller1@kpmg.com.au

Brisbane  
Bill Noye  
+61 7 3233 3253  
wnoye@kpmg.com.au

Darwin  
Denys Stedman  
+61 8 8982 9002  
dstedman@kpmg.com.au

Gold Coast  
Aaron Street  
+61 7 3233 3138  
astreet@kpmg.com.au

Hobart  
Matthew Wallace  
+61 3 6230 4037  
mwallace@kpmg.com.au

Launceston  
Michael Hine  
+61 3 6337 3721  
mhine@kpmg.com.au

Melbourne  
Dominic Pelligana  
+61 3 9288 6386  
dpelligana@kpmg.com.au

Paramatta  
David Pring  
+61 2 9455 9996  
davidpring@kpmg.com.au

Perth  
Agnes Vaccia  
+61 8 9263 7211  
avacca@kpmg.com.au

Sydney  
Leanne Hegarty  
+61 2 9335 7397  
thegarty@kpmg.com.au

Wollongong  
Warwick Shanks  
+61 2 4231 5355  
wshanks@kpmg.com.au

kpmg.com/au/familybusiness

For further information about Family Business Australia, please contact:

Free call 1800 249 357  
info@fambiz.org.au  
National Office  
Level 3, 450 St Kilda Road  
Melbourne, VIC, 3004

Or please visit www.fambiz.org.au

For further information about The University of Adelaide’s Family Business Education and Research Group (FBERG), please contact:

Dr Chris Graves  
Co-Founder, FBERG  
The University of Adelaide Business School  
+61 8 8313 7108  
chris.graves@adelaide.edu.au

Dr Jill Thomas  
Co-Founder, FBERG  
The University of Adelaide Business School  
+61 8 8313 4911  
jill.thomas@adelaide.edu.au

www.business.adelaide.edu.au/research/fberg

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