

Optimism, but businesses need to transform to secure legacies

In PwC's 11th Family Business Survey we interviewed key decision-makers in family businesses across Australia and globally to explore their wins, and to uncover what challenges and opportunities lie ahead. We analysed how family businesses can achieve their goals and secure their legacies by looking at three key stakeholder groups: family, customers, and employees.

The message from this year's survey is clear: Australian family businesses have told us they're optimistic about growth. What's needed now is for family businesses to make transformative changes to prioritise family governance, ESG and DEI to best position themselves to achieve above market growth.



Family: Getting governance right for succession or exit

Australian private and family businesses are experiencing a once-in-a-lifetime succession event as owners retire, sell up, or pass the baton onto the next generation. It's no surprise then that 80% of Australian business owners indicated that protecting their business, as an important family asset, is the top priority.

To ensure a smooth transition, strong governance is critical, however this is precisely where the survey identified a potential blind spot. 86% of surveyed businesses say they have some form of governance policy in place within the business. But when you drill down, only 50% have a shareholders' agreement, 27% have a family constitution or protocol, and just 15% have a family employment policy. This lack of formal governance affects how the business is run and perceived.

Where Australian family businesses are getting it right is with working relationships among family members, 69% of businesses saying family members regularly communicate about the business, and 66% agreeing there's family alignment on the direction of the company.



Creating confidence among your customers

Growth and customer satisfaction jointly ranked as the number one goal most likely to be set by Australian family businesses, which is unsurprising as the two are intrinsically linked. However, setting goals is one thing and achieving them is another. With rising consumer and public expectations around sustainability and other ESG practices, there's a risk that private businesses fall short, jeopardising their social license to operate and, ultimately, their legacy.

The survey showed that most family businesses admit to minimal attention, energy, investment, and resources being dedicated to ESG considerations. 90% do not have an agreed and communicated ESG strategy, but there is hope as over 50% are either working towards it or plan to be in the future.

ESG is core to value creation, and those businesses that lead on ESG can enjoy greater shareholder returns. Businesses with strong ESG ratings are more appealing to investors, lenders and private equity. A robust ESG strategy should include performance measurements for financial and non-financial targets, as well as targets for DEI and social impact.

Equally promising is the NextGen's role in driving and delivering on these priorities - as we know that they place greater importance on reducing environmental impact and promoting social responsibility than the current generation of family business owners. The NextGens could very well be the key to aligning legacy businesses with the changing customer landscape.



Foster employees' faith in the business

Employees' faith in the business is a key priority for almost a quarter (23%) of businesses. 80% of respondents feel it's essential for employees to have full confidence in the business, and yet only 43% think they've achieved this.

It's surprising, then, that 64% of Australian family businesses admit to not dedicating 'very much' effort to attracting and retaining talent. Whatever the reason, Australian businesses can not afford to be complacent in a competitive labour market if they want to grow.

Businesses can foster employees' faith by:

- **Embedding an accountability culture** encouraged by leadership
- **Walking the talk on DEI** by improving their performance on diversity
- **Communicating your purpose and performance** by giving staff updates on progress of performance against goals
- **Offer staff incentives**, at all levels.





No regrets actions for Australian family businesses

Short-term:
6-12
months

1 Communicate your current ESG activity

Communicate your ESG activity if you are already engaging in this space, then start to develop a broader long term plan. This is a quick win in starting to meet consumer and employee expectations around sustainability and ESG.

Medium-term:
1-3
years

2 Board diversity

Take stock of the composition of your board and consider its Diversity, Equity and Inclusion (DEI), there are fundamental benefits attributed to a diverse environment. Engaging the NextGen could be a solution that delivers a variety of enhancements to your business.

Long-term:
3-5
years

3 Transformation and value creation

More than four out of five respondents were positive about their future growth aims. Ensure you have aligned your business strategy to your long term goals for succession or exit by acting now. Get focused on being in the best financial shape, implementing growth strategies, and understanding the potential funds available to support growth.

Contact us

Speak to our experts to understand what our findings mean for your business.

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See the full findings and find out more at: <https://www.pwc.com.au/pwc-private/family-business-survey.html>