

# Family Business Survey Report 2017

Every family business has  
a story to tell



CYPRUS  
CHAMBER OF  
COMMERCE AND  
INDUSTRY



**EY**

Building a better  
working world



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Marios Tsiakkis | CCCI Secretary General

"Family businesses are the backbone of the Cypriot economy. They offer thousands of jobs in the private sector and make a decisive contribution to the growth and progress of our economy. This research will identify and classify specific issues and challenges faced by family businesses today. I strongly support this study and I would like to thank businesses who participated and contributed to our efforts to ensure that the environment in which they operate is modern and functional and provides all the necessary resources for their success. The results of the survey have been analysed to help family businesses accelerate their growth and ensure success for future generations."

# Preface



Dear Reader,

In response to growing demand from family businesses in Cyprus for expertise and thought leadership focused on strategic growth, succession planning and agile management, EY in partnership with the Cyprus Chamber of Commerce and Industry (CCCI) conducted our first Family Business Survey.

Family businesses are globally known for driving economic growth, although there is relatively little known about the specific challenges and difficulties they face. This study is designed to understand key issues faced by family businesses in Cyprus such as, development strategies, succession and outsourcing, women in business, viability and financing.

The main purpose of the survey was to collect and report points of view and attitudes of family businesses in Cyprus and determine the extent they have been affected by the economic crisis, local and global competition, internal issues or any other factors over the past years.

The report is based on extensive research, carried out between November 2016 and March 2017. The questionnaires used for the survey were developed by EY Cyprus, with the collaboration of the CCCI.

The survey results are based on answers given by executives of 95 successful and well-known Cypriot family businesses and 7 personal interviews. We would like to thank all survey participants for taking the time to give us valuable insights about their businesses.

Some of the issues and challenges that Cypriot family businesses face are management leadership, long-term management succession, increased competition, economic and financial risks, taxation and bureaucracy.

We are confident that our vast EY network of local and global knowledge and expertise will be able to navigate local family businesses through best practices and innovative strategies and offer support in streamlining solutions alongside the government to ensure their success.

We are pleased to present the results of the Family Business Survey Report 2017. We hope that you find the study a worthwhile read and we very much look forward to engaging in a dialogue with you.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Stavros Pantzaris', written over a light blue rectangular background.

**Stavros Pantzaris**  
**Country Managing Partner**  
**EY Cyprus**



Stelios Demetriou | EY Cyprus Transaction Advisory Services Leader

"Family businesses are the oldest and most traditional form of conducting business. Their contribution not only to the private sector, but to the entire economy, is tremendous. The launch of this survey provided a good opportunity to better understand the key issues, problems and priorities, as well as common challenges faced by family businesses in Cyprus. We are confident that our findings and insights will have a positive contribution to local family businesses as they apply solutions and strategies to gain a competitive advantage in the economy."

# 01 Introduction

The Cypriot economy is heavily reliant on family businesses as a source of economic prosperity. They create jobs, invest in local communities and give back to society. Family businesses are the ultimate entrepreneurs. They are a major source of economic growth, continuous innovation and long-term economic stability for the entire economy of the island. Many local, well-known companies are family owned and proud of it. The characteristics and practices of large, long-lived family businesses serve not only as a model for other family businesses but also for all companies that aspire to maintain an entrepreneurial spirit, innovate and grow consistently. The key success factors of a family business (FB) seem to be the values/focus on people, the long-term vision and a low reliance on debt financing.

Family businesses account for two-thirds of all businesses worldwide, generating more than 70% of global GDP annually. In Cyprus, family businesses are amongst the oldest forms of commercial organisations and they generate approximately half of the country's GDP, being mostly active in the construction sector, wholesale and retail sector, tourism and agroindustry as well as real estate and transport. SMEs and especially small and very small enterprises consist of 98% of all companies in the country. Consequently, it is no surprise that Cyprus has the highest rate of self-employment (66%, followed by Greece with 60%) among all EU countries; the EU average is 45%.

In terms of legal status, more than 50% of Cypriot FBs are private, sole-proprietorship enterprises, while 44% of them are companies of limited liability. Only 20% of the Cypriot family firms do exports. The majority of FBs employ 2-3 family members.

There is no official definition of what a FB is, but it can be broadly defined as any business in which two or more family members are involved and the majority of ownership or control lies within a family.

This survey aims to develop solutions, enrich existing knowledge of the Cypriot family businesses and contribute to their future success.



# What Family Businesses consider important

based on a survey conducted by EY

**49%** **Brand and customer loyalty**  
are the most important success factors



**60%** **Social media**  
is preferred by FBs as a marketing source



**63%** **Economic environment**  
influences the decision making the most



**54%** **Succession**  
is a critical factor for FB success



**72%** **Tax reliefs**  
should be offered from the government



**78%** **Both genders**  
would be appointed as CEOs by FBs' management



**46%** **Transfer of knowledge**  
enhances performance improvement



**68%** **Bank loans**  
are preferred as financing options



**58%** **New products/ services**  
are the first target in FBs' expansion plan



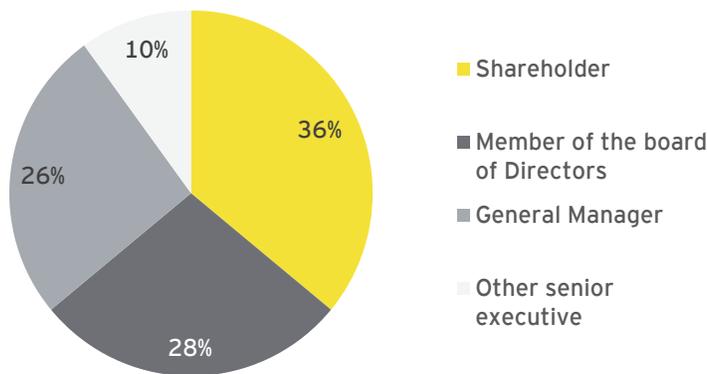
**57%** **New technology**  
is the sector most FBs would use their funding for



# 02 Survey Profile

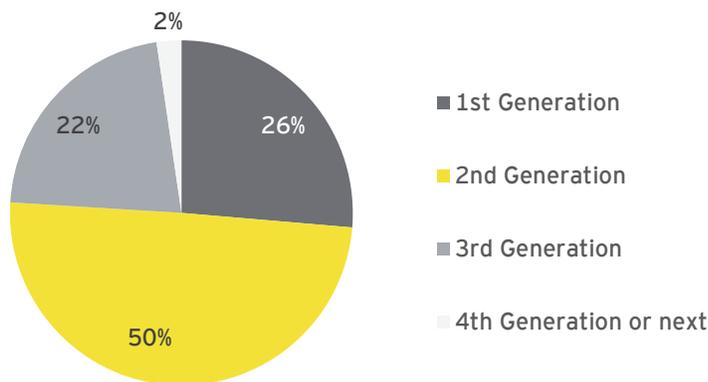
## What is your position in the family business?

The survey collects the thoughts and insights of different family business shareholders. Most of our survey participants are shareholders (36%), members of the BoD (28%), or general managers (26%).



## Which generations are currently involved in the family business today?

The 2<sup>nd</sup> generation is currently involved in the majority of family businesses. The 1<sup>st</sup> generation is still involved in over a quarter of family businesses surveyed. The transition of family businesses from one generation to the next is a critical step in a family business, with cohesion amongst different generations playing a key role for the continuity of the business.

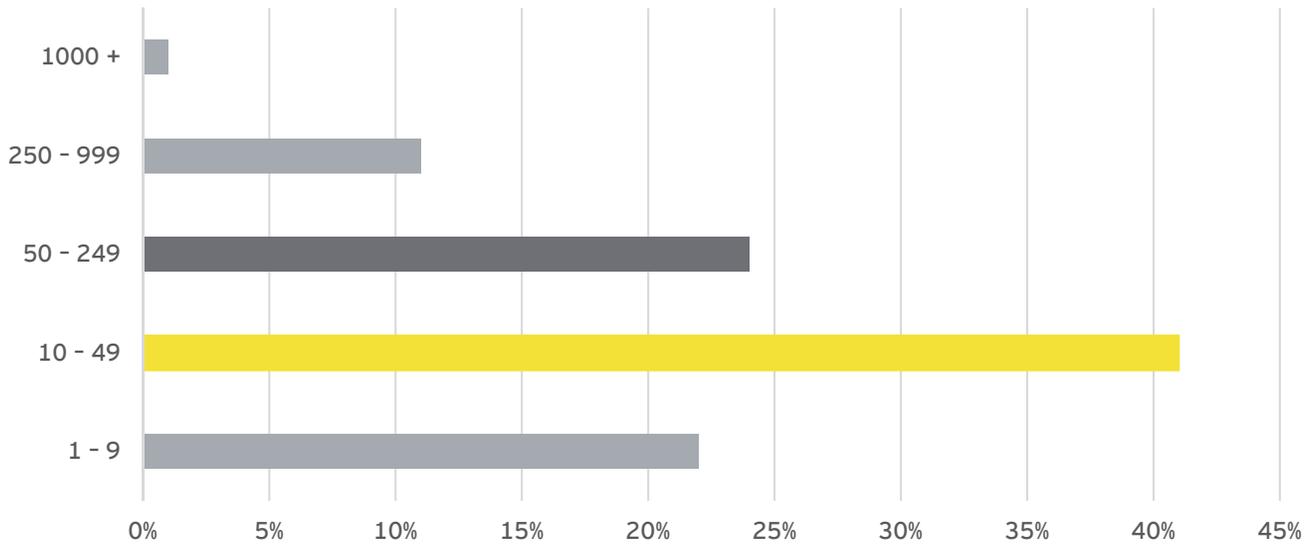


“Our Group is currently run by the second generation of the owners, with the first generation still being present and participating in the decision making. The Group is following strong, rigid Corporate Governance principles and practices which were enhanced further in the past few years by the new generation of the owners to reinforce our governance model.”

Mr Rovertos Yiouselis,  
Head of Group Internal Audit,  
Shacolas Group

### How many employees does your company have?

Compared to their EU counterparts, Cypriot FBs are very small in terms of employee size, in line with the small size of the economy and population. The majority of FBs participating in the survey have 10-49 employees, while 22% of the sample surveyed have less than 9 employees.

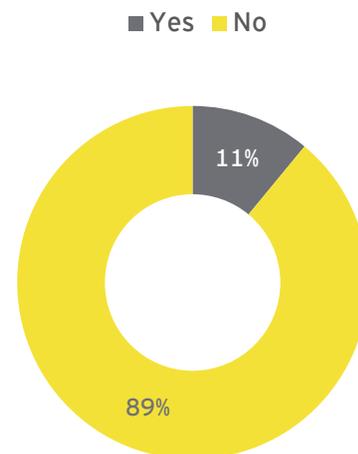


### Is the family business, a section of it or all the business units that belong to it, listed in a stock exchange?

89% of the family businesses that participated in the survey are not listed in a stock exchange.

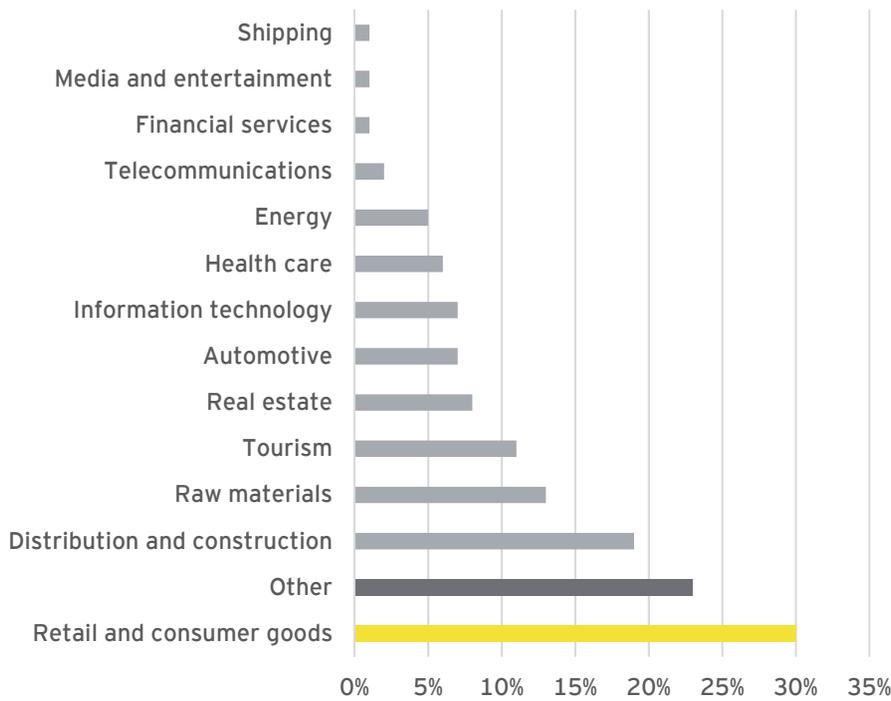
Access to stock markets offers numerous advantages for family businesses, such as: increased liquidity, increased publicity, access to additional funding for further development and expansion of the company, improvement of the strategic planning and management due to the investor's requirements for high yield, higher potential for further initial public offer in foreign financial markets and higher potential to attract talented employees.

Some of the largest listed companies globally and amongst the best known global brands are deeply rooted family businesses.



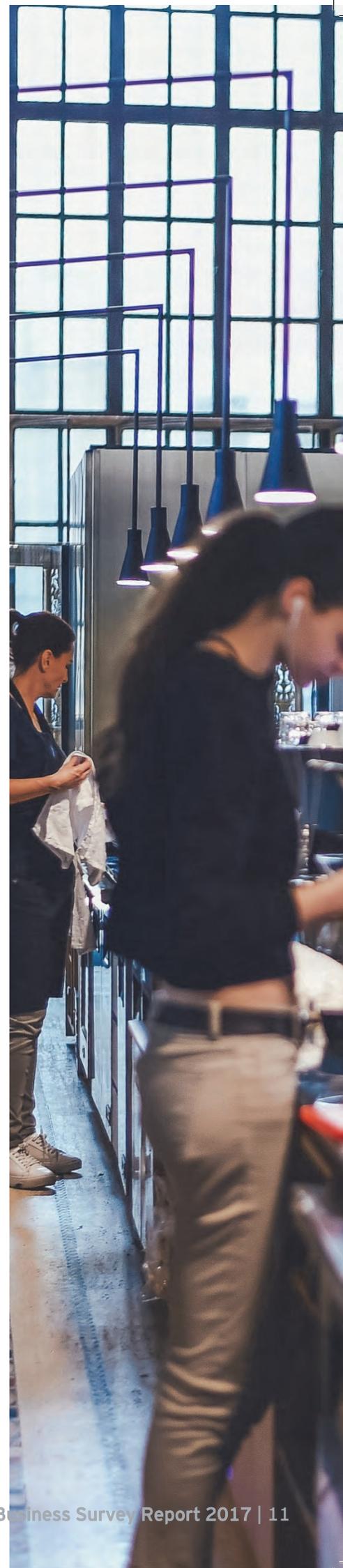
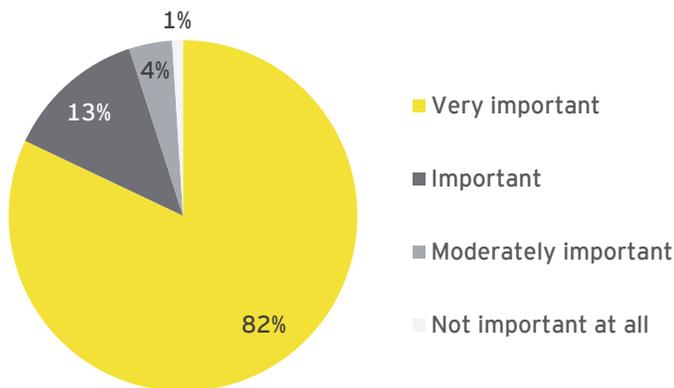
### In which main sector(s) do you operate?

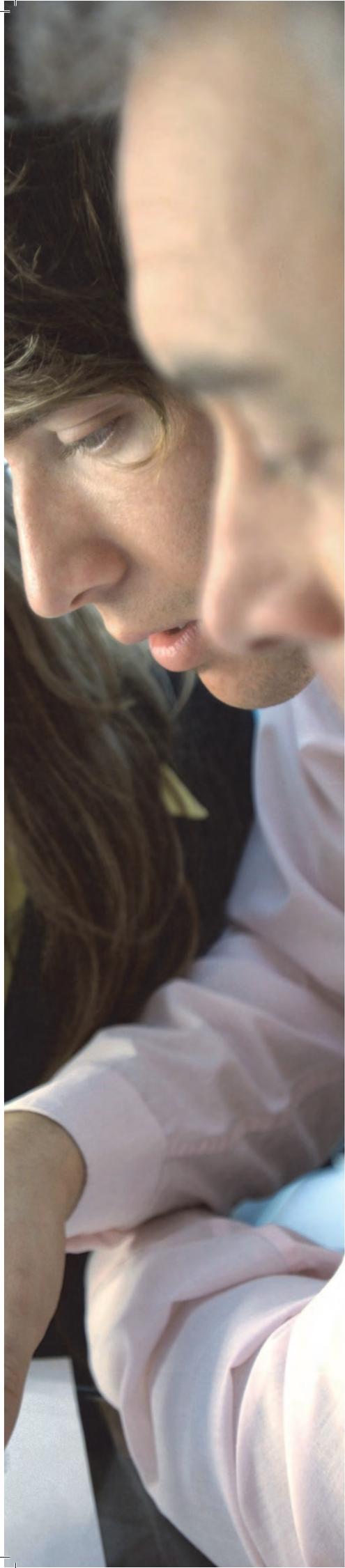
Nearly one third (30%) of the businesses surveyed operate in the retail and consumer goods sector, while 19% operate in the distribution and construction sector. According to the Statistical Service of Cyprus, 3% of all the businesses (98,765) in Cyprus are operating in the construction sector (2,812).



### Is the company an important part of the family property?

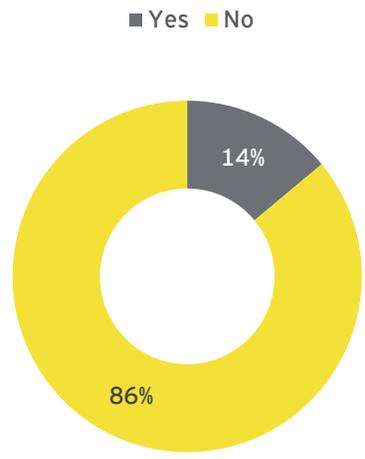
Most respondents (82%) answered that the family business is a very important part of the family property. In these cases, lasting legacy and succession planning are crucial for sustaining family wealth.





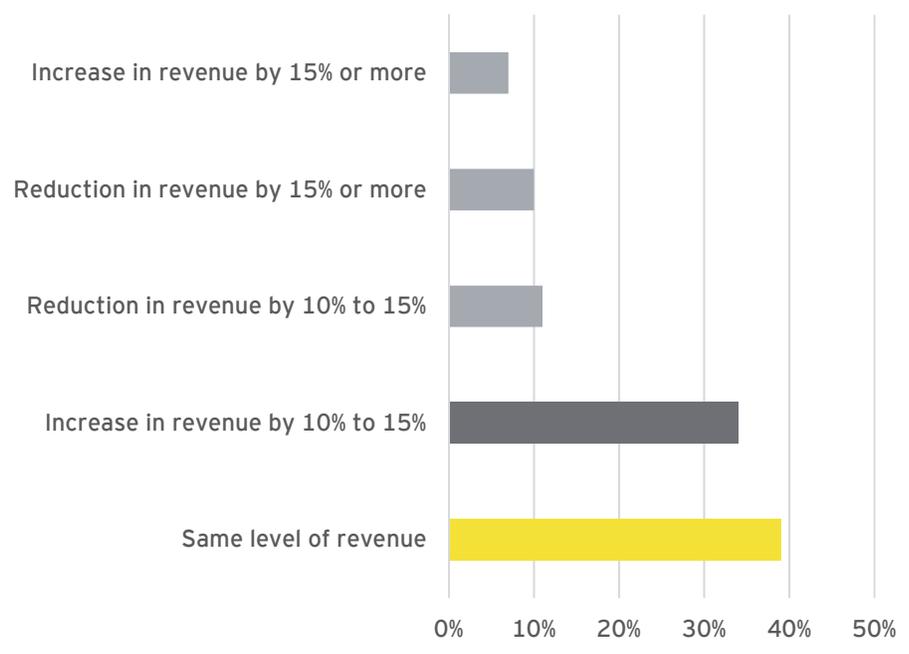
**Does your family keep a specialised agency for asset management (family office)?**

A family office offers control for wealth management, especially when several generations are involved. Family offices are generally required by larger, very successful family businesses to manage their wealth. Of the people questioned, 86% do not keep a family office.



**How did your company perform over the last financial year, compared to the previous years (in terms of revenue growth)?**

39% of family businesses have maintained the same level of revenue compared to previous years, while 34% increased their revenue by 10%-15%. Given the current economic volatility, these results indicate that family businesses are more resilient to external shocks compared to non-family businesses and they manage to adapt to stressful economic conditions due to the increased customer loyalty and personal approach.



# 03 Tackling Business Challenges

## Which factors do you consider as the most important for the continued success of your company?

Given the increased competition faced by family businesses following the financial crisis, a strong brand personality and reputation is a crucial asset for long-term sustainability. A strong brand identity that is well understood and experienced by customers helps in developing trust which, in turn, results in differentiating the brand from the competition. This can result in increasing customer loyalty and achieving growth. Research shows that over a cross-section of industries, the longer a company retains a loyal customer, the more profit that customer generates.

Cypriot family businesses (49% of the sample) consider an established brand and customer loyalty as the most important success factor for their company.



“The establishment of a strong and client centric brand was key in the development of our family business and our foundation stone since the early beginning”.

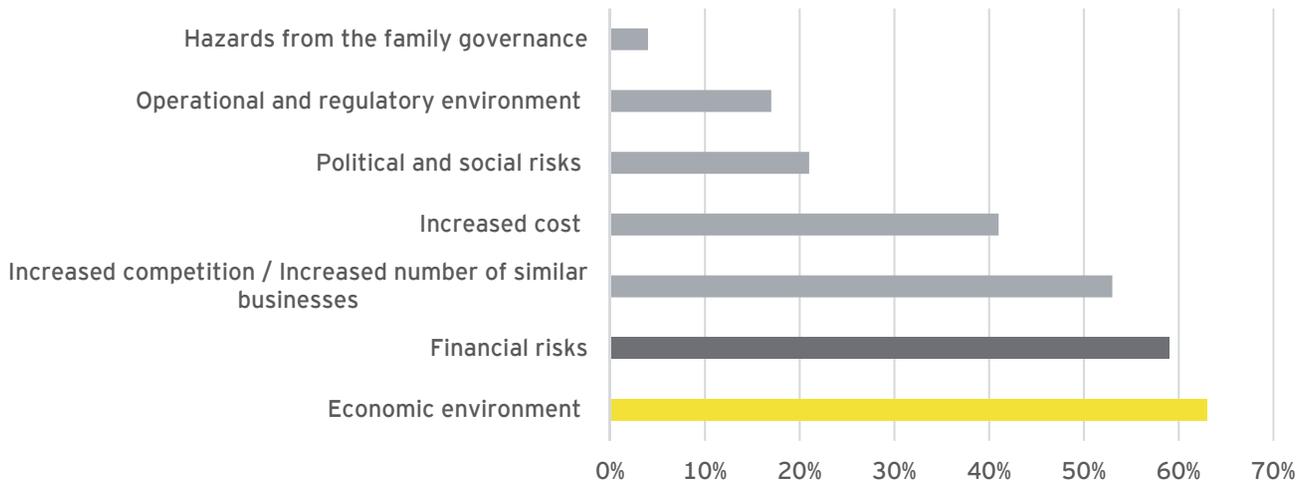
Mr Costas Zorbas,  
Managing Director,  
A.Zorbas & Sons Ltd

“Our key success factor is the focus on high quality products. A strategy we have followed for three generations”.

Mr Dinos Mitsides,  
Managing Director,  
Mitsides Public  
Company Ltd

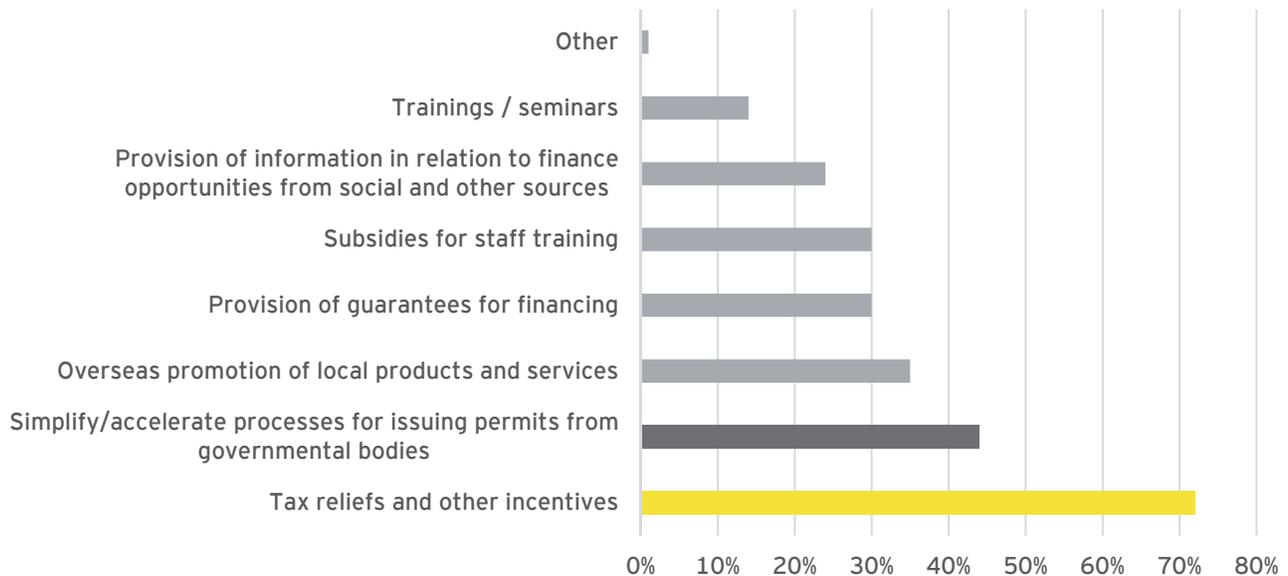
**Based on today's challenges, which are the factors that influence your decisions for significant changes to your business model?**

Key factors influencing decision making for significant business model changes were the general economic environment (63%), financial risks (59%) and increased competition (53%). Cypriot family businesses have not fully recovered from the turbulence in Cyprus' economy, the reduction in economic activity and limited accessibility to funding. The recent financial crisis has added significant challenges to family businesses operating on the island, with the contraction of the country's GDP, combined with stricter criteria for bank financing.



**How can government agencies support the family businesses in Cyprus?**

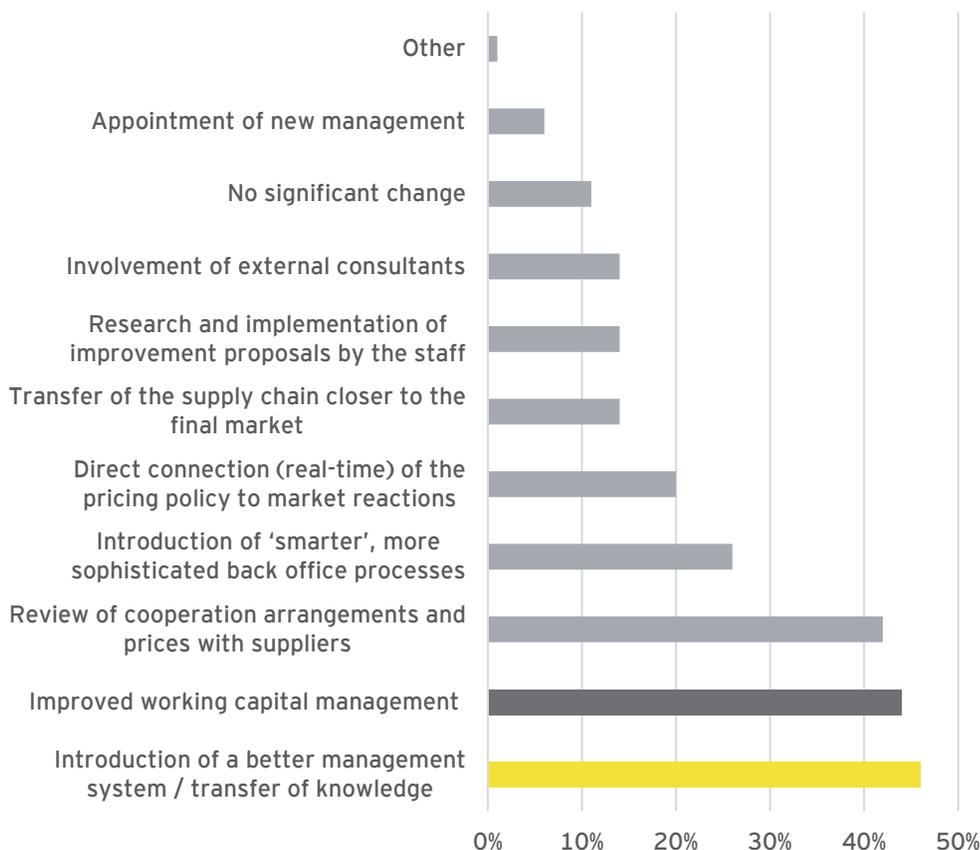
While governmental reforms to improve bureaucracy and foster family business growth are recognised by participants, they have stressed the need to have stronger and more proactive support by public agencies. Taxation seems to be another issue that concerns FBs in Cyprus and tax reliefs are requested by 72% of respondents, despite the country's low tax rates. Red-tape and bureaucracies are also an area of concern for many family businesses, as inefficiencies in bureaucratic procedures are perceived as a significant hindrance to the operation of FBs today. In addition, Cypriot FBs need the government's support for subsidies and overseas promotion of local products and services.



# 04 Growing the Business

## What have you done to improve the performance of your company during the last 3 years?

According to the survey results, transfer of knowledge (46%), improved working capital management (44%) and cooperation arrangements with suppliers (42%) are considered as the most important factors contributing to performance improvement during the recent years. Transferring knowledge internally can be a significant competitive advantage for businesses. The impact of the recent financial crisis and the subsequent reduction in overall liquidity of the market has also created significant challenges for FB in terms of working capital management. Hence, maintaining a short cash conversion cycle also proved to be a key determinant of success for Cypriot SMEs. Managers can create value by reducing their inventories and the number of days for which their accounts are outstanding. When it comes to pricing, suppliers in small organisations are more likely to exhibit willingness to negotiate price than those in larger organisations.

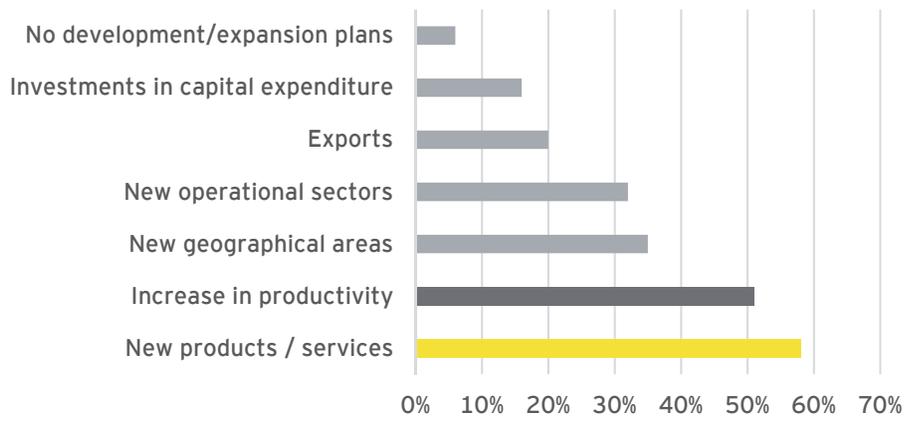


“Talent management and human resource development is key for our Group. Realising the importance, our group currently employs HR specialists at both entity and group level, ensuring the recruitment and retention of talented teams in our various operations.”

Mr Rovertos Yiouselis,  
Head of Group Internal Audit,  
Shacolas Group

### If you plan to grow the business, where does your expansion plan focus?

The majority of the sample (59%) believe that in order to grow their business they should focus on new products/services. With increased involvement of the next generations in the family business, new ideas and product innovation gain a key role in the growth of the business. Product innovation is increasingly valued as a key component of the sustainable success of a business's operation. Product advantage, market potential, meeting customer needs, predevelopment task proficiencies, and dedicated resources are the predictors with the most significant impact on new product performance.



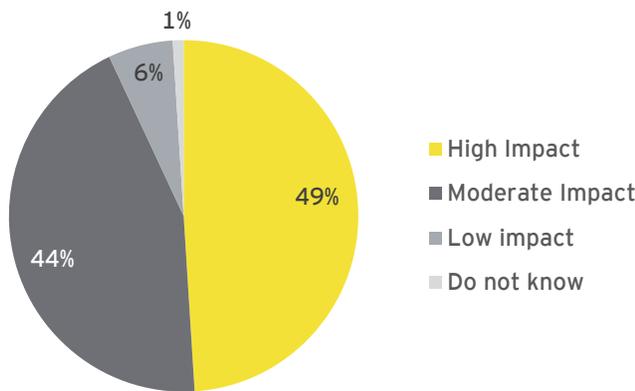
“We are not in favour of over-expansion. We believe in small, careful and focused steps. Such a strategy helps us better manage the development process and control the relevant risks.”

Mr Christodoulos E. Angastiniotis,  
Managing Director,  
VitaTrace Nutrition Ltd



### How important do you think evolving technology is to achieving your business targets?

New technologies tend to result in increased operational efficiency, reduced waste and increased product differentiation, which help improve business processes and profitability. In fact, 49% of the sample believe these practices as highly important. Due to their conservative nature, family businesses are generally less flexible and innovative in adopting evolving technologies. However, increased competition and the predominance of digital technology has forced family businesses to embrace evolving technologies.



“Technology is key for our business. Smart use of technology improves financial performance as well as the production and quality of customer service. Our group aims at being ahead of competition in this area. A notable example is the recent launch of the new mobile phone application for our customer loyalty scheme.”

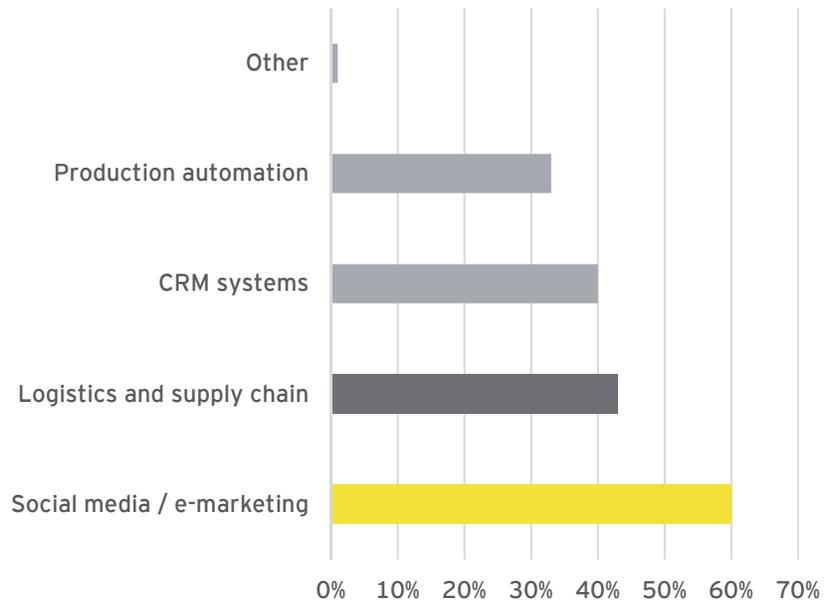
Mr Michael Michael,  
Business Development  
Director,  
A.Zorbas & Sons Ltd





**In which of the following new technologies do you think your business could make an investment in the forthcoming year?**

E-marketing has transformed marketing practices of family businesses. The vast majority of FBs recognize the importance and potential of social media and e-marketing as technologies to adopt. Social media can offer increased sales combined with reduced marketing expenses. The most popular form of paid social media advertising is Facebook followed by LinkedIn and Twitter adverts.



# 05 Succession Planning and Recruitment

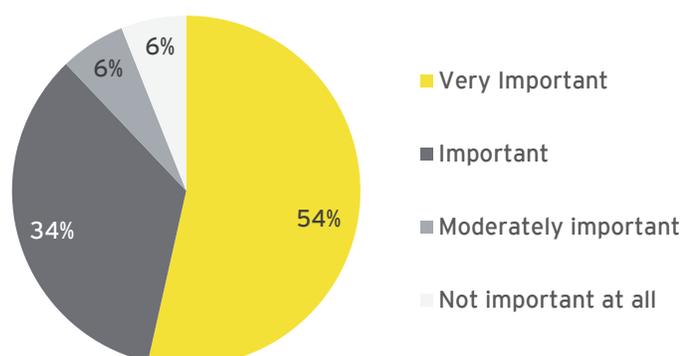
## How important is it for you to transfer the business to the next generation?

Most FB do not pass to the second generation, and even fewer pass to the third or beyond. From our survey participants, 54% and 34% report that it is very important and important respectively, to transfer the business to the next generation.

One of the major reasons why a succession plan is important is that it helps maintain peace within the family or the management team of the FB and ensures the continuity of the company's legacy. A succession plan will secure transfer of management and ownership of the business to new managers and owners to ensure the long term viability of the business. Family businesses with long term strategy, good governance policies and formal succession plans, are resilient and often outperform their non-family counterparts.

Succession is arguably the most critical issue a FB has to face. It is also one of the most challenging. Business owners may be too busy dealing with everyday needs to consider the tough issues of succession planning. Complicated family dynamics and the emotional connection that leaders and family members feel toward their companies can make addressing succession a minefield. A proper business succession seeks to alleviate or lessen the above issues by facilitating a smooth transition between the family business owner and the future owners of the business.

Family businesses tend to require at least three years of outside management experience before family members are allowed to assume managerial positions, in order to help ensure they are tapping the right family members for the leadership pipeline. While choosing a successor, a good and sound education, personal development and some work experience outside the family business is a requirement for most successful family businesses.



“In our case we have started the succession plan early, recruiting the right professionals to help us identify the capabilities, strengths and inclination of young family members. In this respect we were also proactive in setting up the right internal governance, that helps protect and enhance the family relationships”.

Mr Demos G. Mouskis,  
Executive Chairman,  
Muskita Aluminium  
Industries Ltd

**In your opinion, which are the most important factors for a successful transfer of the business to the next generation?**

Training and educating the next generation are critical elements of preparing successors for both ownership and leadership, and many FB agree (53%) that the process needs to start early – often in childhood. Participants report that work ethic, leadership and entrepreneurship are the most important attributes to nurture in the younger generation. 52% of FB strongly believe that transition needs to be as smooth and successful as possible, in order to ensure business continuity. Evaluation of the potential successors' skills is widely considered (45%) as an important factor for the successful transfer of the FB to the next generation.

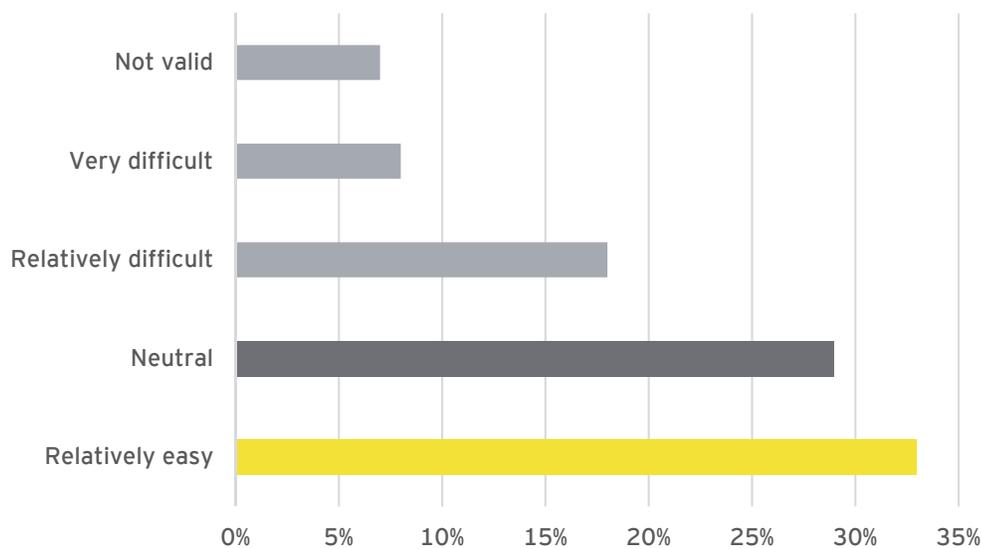
“It is important for us to transfer the business to the next generation. Young family members who wish to join the business will need to develop the right set of skills and experiences to allow them to succeed in their roles within the family business.”

Ms Christianna Diogenous,  
Managing Director,  
DIAPO Ltd (Tseriotis Group)



**In the current structure of the company, how easy / difficult is it to attract senior executives from outside the family?**

During the first years of their existence, family businesses are usually directed and managed by their founder(s). As the company grows in size and its business operations become more complex, a more formal management structure, a decentralised decision making process and a qualified management body become necessary. Successful families in business understand that in the long term, some family members may need to step down and be replaced by more professional and skilled outsiders. Small and newly established businesses usually face more difficulty in attracting senior executives from outside the family, while larger and well-established businesses will not face similar challenges.

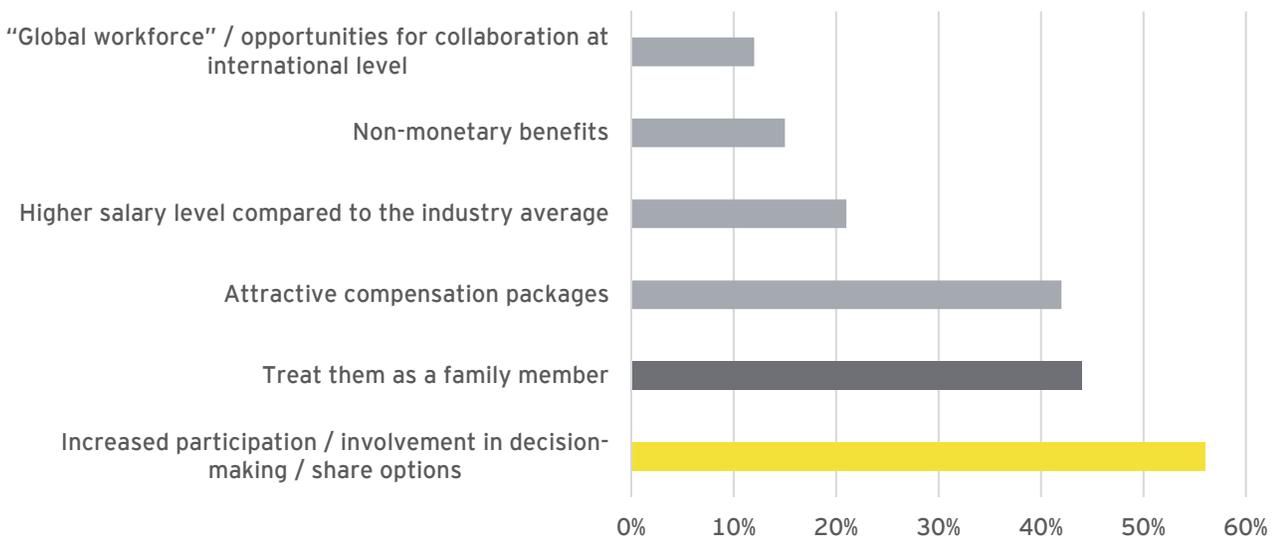


“The presence of a large number of family members in a business may not help attract senior executives from outside the family. Of course this does not mean that it cannot happen or that the interests of both parties are not aligned to support the development of the family business.”

Mr Marios Demetriades,  
Finance & HR Director,  
Mitsides Public Company  
Ltd

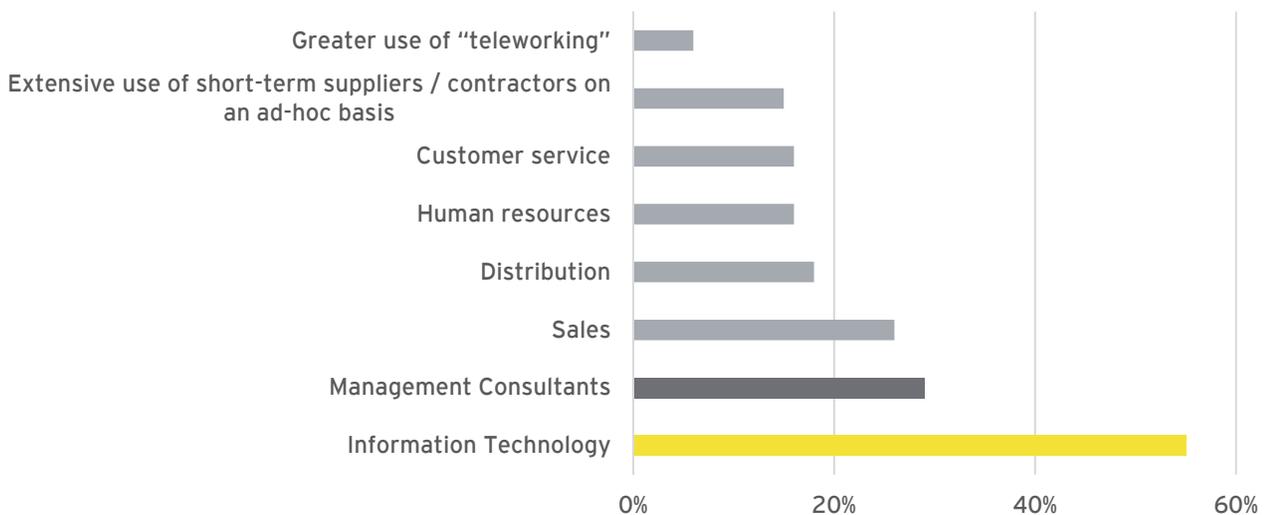
**What actions do you take to attract external senior management to the company?**

This survey substantiates that 56% of FB that participated will provide increased participation/ involvement in decision-making/ share options, 44% will treat them as equal family members and finally 42% and 21% would offer attractive compensation packages and higher salary compared to the industry average respectively. The content of family employment policies differs from one family business to another. When developing its family employment policy, the family should focus on the rules, conditions, and processes that allow it to attract and motivate the best competence available within the family or outside. It is also very important to set employment conditions that do not discriminate against or favor family members. This would help establish an atmosphere of fairness and motivation for all employees of the family business. Finally, once developed and agreed upon by the family, the written employment policy should be made available to all family members. This will help set the right expectations about family employment among all family members. The driving force behind business' decisions should be the best interest of the organisation and not that of individual family members.



**Have you used the opportunities for outsourcing / off-shoring for any of the below activities?**

Outsourcing enables companies to simultaneously reengineer their existing operations, create a more flexible and adaptable organisational structure, and tap the best minds to foster innovation. Information technology (IT) is a prime candidate for outsourcing alternatives. The trend to consider outsourcing one or more IT functions will become increasingly important as companies struggle to cope with deregulation and competitive pressures.

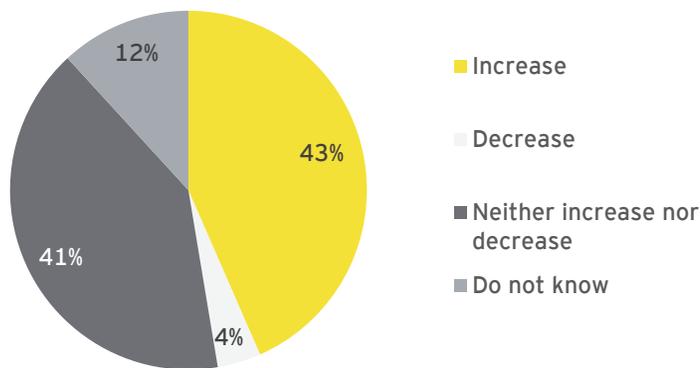


# 06 Women Mean Business

**Compared with the last 5 years, do you believe there is an increase or decrease in the level of interest shown by women to take part in the family business?**

Family owned and family controlled businesses have a higher percentage of women in senior positions and on the Board of Directors compared to non-family businesses. Educational attainment, the expansion of the service sector, the development of parental leave, childcare systems and flexible workplace practices (e.g. opportunities to work part-time), have helped women to match work and family commitments and have contributed to narrowing gender gaps in business participation, with female employment increasing.

Of those surveyed, 41% suggested that within the last 5 years, there was neither increase nor decrease in the level of interest shown by women to take part in the family business, while 43% responded that there is indeed an increase of women participation in FB.



“In our business we do support gender equality. We do have both male and female staff members in key managerial positions. Women in particular we find extremely goal-oriented and focused on success.”

Mr Christodoulos E. Angastiniotis,  
Managing Director,  
VitaTrace Nutrition Ltd

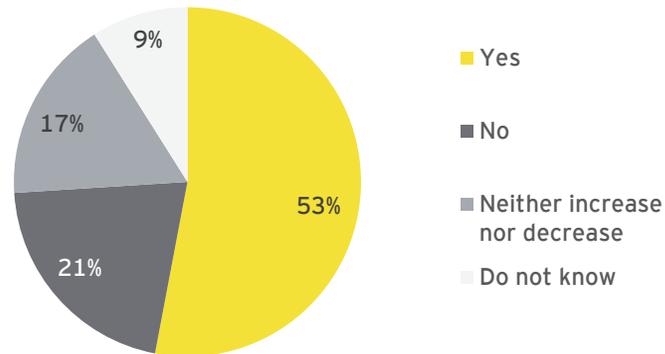


“Our group has been successfully driven for four generations by both male and female family members.”

Ms Christianna Diogenous,  
Managing Director,  
DIAPO Ltd (Tseriotis Group)

### Do both men and women have the same degree of interest to participate in the family business?

The majority of the sample (53%) suggested that both men and women have the same degree of interest to participate in the FB. When women occupy top posts, it seems that advancement of the business is more than feasible. They are long-term thinkers and know how to bring balance into things. They differ in their managerial style and are superior in caring for relationships with employees. Although they are considered to be less risk taking, decisive and tough in business, they make an impact on the longevity and sustainability of family businesses.

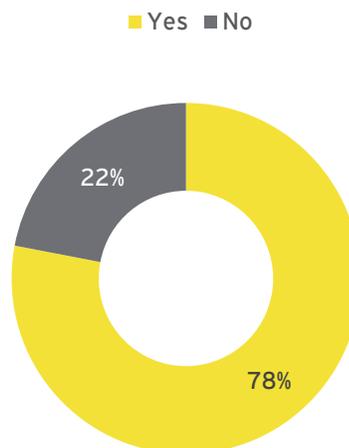


### Do both genders have the same possibility of being appointed in the position of CEO of the company if they meet all the relevant criteria?

There is already a wealth of research demonstrating that having women in leadership and strategic roles makes economic sense for businesses.

Companies with women on the board outperform those without, in terms of return on equity, net income growth and price-to-book value, and women tend to focus more sharply on governance and reducing risk, which underpin superior financial results.

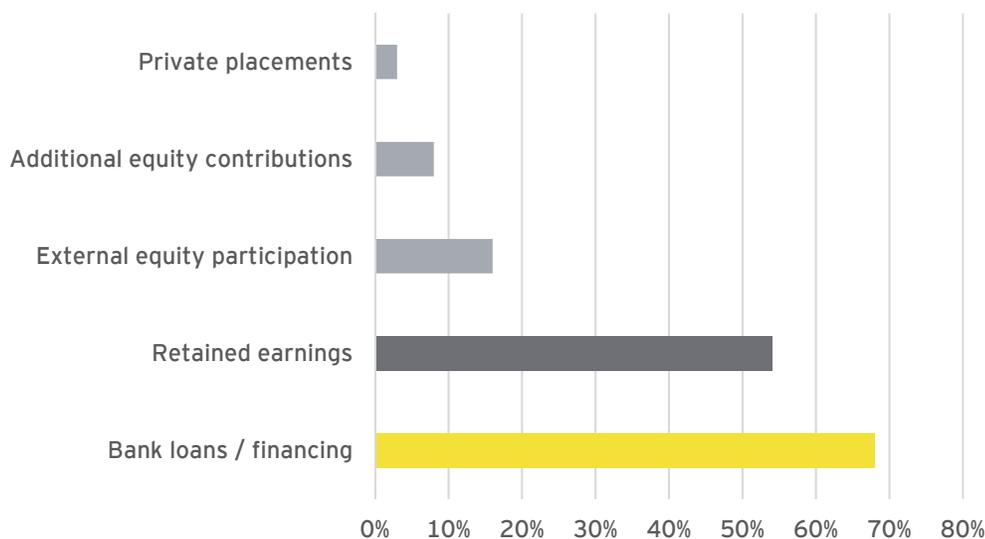
With women filling family business leadership ranks faster and more often than their non-family enterprise counterparts, companies in our survey appear poised to reap performance benefits while acting as beacons of parity in a gender-imbalanced business world.



# 07 Looking for Financing Options

**When considering the financing options for your family business, which do you prefer?**

Bank loans and retained earnings are preferred financing options for the vast majority of the sample, 67% and 53% respectively. Worldwide, there is a positive correlation between debt financing and the age of an organisation. Over time, organisations become more acceptable investments for lenders, and consequently older organisations are more likely to obtain debt financing than their younger counterparts. With respect to size, larger organisations are more likely to receive debt financing.



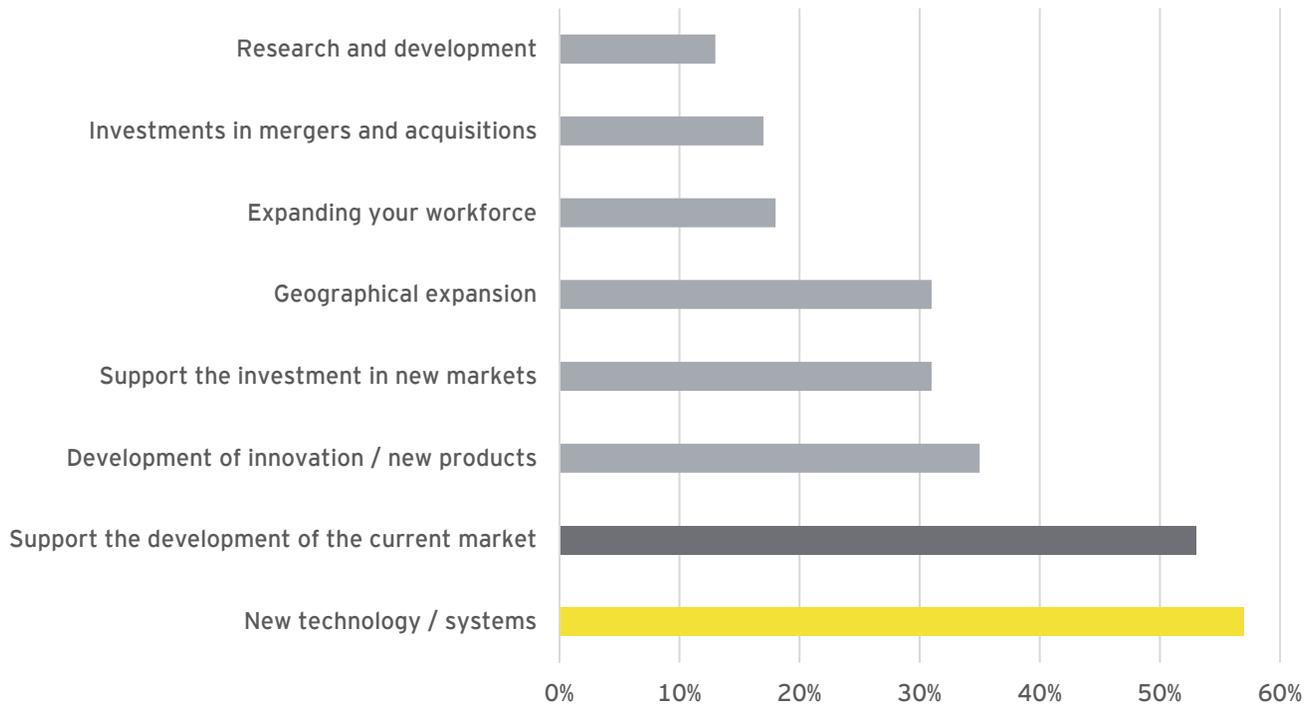
“Regarding external equity participation, even though family members usually do not welcome any significant dilution, they do favour strategic partnerships in relation to new ventures.”

Mr Marios Demetriades,  
Finance & HR Director,  
Mitsides Public Company Ltd



### How will additional funding be used for in terms of the business operations?

Technology seems to be the most significant factor for future investments and businesses expansion (57%), according to the survey results. In recent years, fundamental change is taking place in the nature and application of technology in business, a change with profound and far-reaching implications for businesses of every size and type. Driven by the demands of a competitive business environment and the changes in the nature of technology, the information age is evolving into a new era.



# 08 Conclusions

Family businesses remain a vital part of the Cypriot economy, but like all companies in a constantly changing business world, they must adapt to new challenges.

Succession is arguably the most critical and difficult issue a FB has to face. The next generation, regardless of gender, should be encouraged and empowered to participate in all aspects of the business. Training and education are critical and the process needs to start early.

Although many of these well trained family members become skilled managers that add value to the business, sometimes they prove not to be qualified to deal with the day-to-day operations. Successful family businesses realise that in the longer term, senior management positions should be held by skilled professionals who may not necessarily belong in the family.

Every family business should be vigilant in order to face internal conflicts and external threats, such as increased competition. Greater time resources should be devoted to brand establishment and customer loyalty, customer service and business development.

Bureaucracy is another great challenge for FBs that hinders growth in business activity and business development. Development and bureaucracy are two incompatible concepts. By introducing simpler and quicker procedures, the government can help create employment opportunities and at the same time encourage investment.

FBs surveyed commonly report that the government does not actively support family businesses in a structured and focused manner, since family businesses are treated the same way as SMEs. They also report that the government could offer various forms of support to family businesses, from tax reliefs to the gathering and provision of information in relation to subsidies and funding, to exports support and the simplification of procedures relating to the issue of various permits and certifications. They highlight that by introducing simpler and quicker procedures, the government can help create employment opportunities and at the same time encourage investment.

The required business-friendly environment should be fostered and necessary incentives and fast track procedures should be provided. There is a strong need for government support in promoting a family business-friendly environment, so as to encourage and promote the spreading of information, and support the sharing of best practices. Some of the main focus areas for family businesses to stay competitive and ensure their viable growth are product innovation, increased productivity, new technologies, and succession planning and recruitment.



## Key findings

- ▶ Succession is the most critical issue for a family business.
- ▶ Both genders are equally interested in FB participation, with women participation increasing over the last few years.
- ▶ Current FB owners are willing to employee and seek guidance from senior experts and managers outside the family.
- ▶ Main factors that influence decision making are the general economic environment, financial risks and increased competition.
- ▶ Established brand and customer loyalty are considered as the most important success factors.
- ▶ Transfer of knowledge, improved working capital management and cooperation arrangements with suppliers are considered as the most important factors for performance improvement.
- ▶ New products and services, as well as new technologies, are critical for business expansion.
- ▶ Bank loans and retained earnings are preferred as financing options and are likely to be invested in new technologies, social media and a CRM, offering increased operational efficiency, reduced waste and increased marketing.

## Questions family business leaders should be asking

### What can we do to help ensure a smooth succession?

- ▶ Clearly define who has the responsibility for succession
- ▶ Work steadily to prepare the next generation leadership

### How do we encourage women to join the business?

- ▶ Create a welcoming and inclusive environment
- ▶ Consider women family members for leadership positions

### What can improve our family business performance?

- ▶ Professional development
- ▶ High quality products/services
- ▶ Customer value

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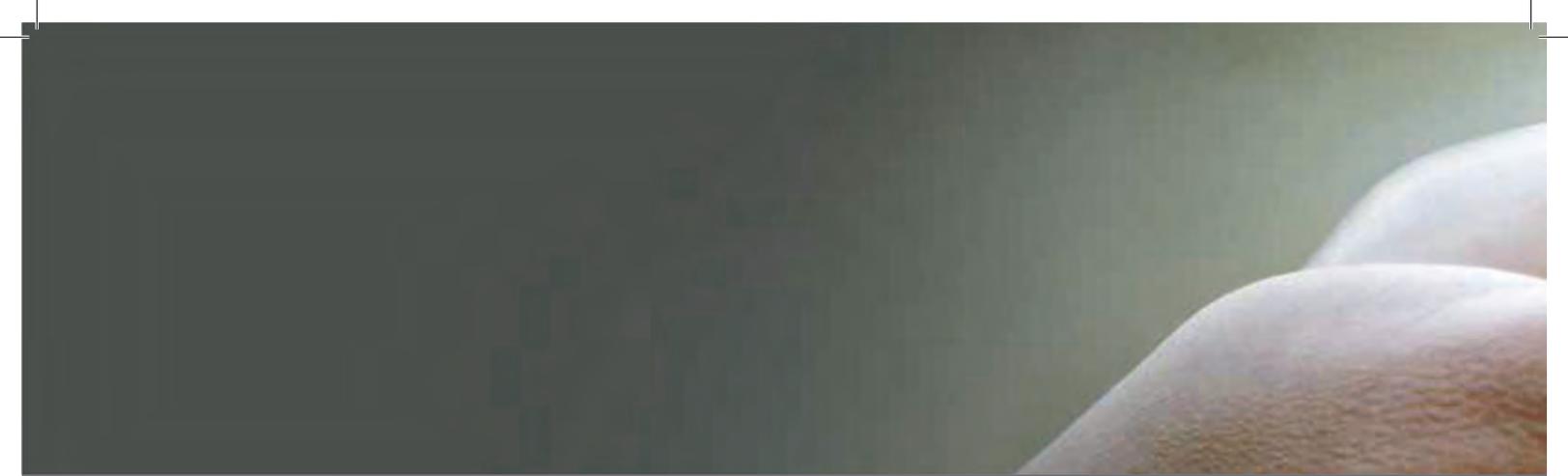
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# EY Family Business Services

## Helping you succeed for generations

Family businesses are characterized by their unique combination of dynastic will, family ownership and professional management. This combination produces a dynamic that offers competitive advantages, but it also harbors potential risks. Managing this complexity is a balancing act between the strategic issues related to the family and those connected to the business. It also means steering the business successfully between the forces at work in the marketplace and within the family. Today, 80 of the world's top 500 family businesses rely on our know-how and experience to help them chart the right course to deal effectively with the challenges and opportunities presented as their business moves forward into the future and on to the next generation.

### **Growth DNA Model for family business**

We know that each family business is unique, yet successful family businesses also have much in common. Understanding these success factors and taking advantage of our knowledge underpin what we call the "Growth DNA Model for family business." Our bespoke model supports both the personal and company performance agenda of family business leaders, and aims to help you succeed for generations. We know that an aligned family and business strategy secures both your family's and your company's values on a long-term basis, and it also forms the foundation for planning ownership and management succession.



## EY leading practice

Our services tailored to family businesses are the result of our understanding of the difficulties of balancing the concerns of the family and the intricacies of the business and what it takes to address the dual challenge of securing the long-term success of the company and managing the risks of growth.



### Succession Planning

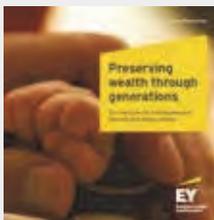
Our integrated service line offering explores what makes a successful succession journey, the key elements of a good plan and how we can help you at every step of the way.



### Family Governance Services

Our tailored consultancy package supports entrepreneurial families to manage themselves systematically and successfully.

Thanks to experience and insight, we have developed a range of customized approaches and services to address all of your key needs as a family business. Trusting us as your advisor means putting yourself in the hands of more than 100 years of experience helping family businesses succeed for generations.



### Family Philanthropy Services

Our Family Philanthropy Services can show you how to use your existing resources for maximum effect and how your social commitment can benefit you as a family business, while benefiting society as a whole.

### Family Office Services

Our broad and integrated approach helps family offices structure their wealth and preserve it for future generations.



# A look forward: succession planning

## Addressing the future now

Succession planning is the most effective tool family businesses have at their disposal to ensure the firm's longevity and long-term success. The EY Global Family Business Center of Excellence's main goal is to help family businesses succeed for generations. And we believe that a correct and finely timed approach to succession planning is a critical element to long-term success of the business and the family.



## The right balance

Succession planning is not easy. Nor is it straightforward. For it to work, you need to focus on the intersection of three primary stakeholder groups – owners, families, and the business and investments – and each group’s respective goals and priorities. Whether your transition is successful will depend on how well you address the following four dimensions in your plan.



## Four dimensions of a successful transition

- 1 Succession in leadership**  
Who should run the business going forward?
- 2 Succession in ownership**  
How should the business be governed (e.g., shareholders, family office, management council)?
- 3 Building and creating legacy and value**  
How will you provide for an enduring personal brand and sustainable business growth?
- 4 Passing wealth to the next generation**  
An effective succession plan has been proven to be more important for the transition of wealth than an estate plan.

## Potential barriers to effective transitions

Family businesses whose succession goals did not succeed cited these reasons:

60

are due to breakdowns in trust and communication within the family unit.

60

are attributable to how successor family members interact.

25

are caused by inadequately prepared heirs.

12

are due to lack of a family mission or purpose that clearly defines use of the family’s wealth.

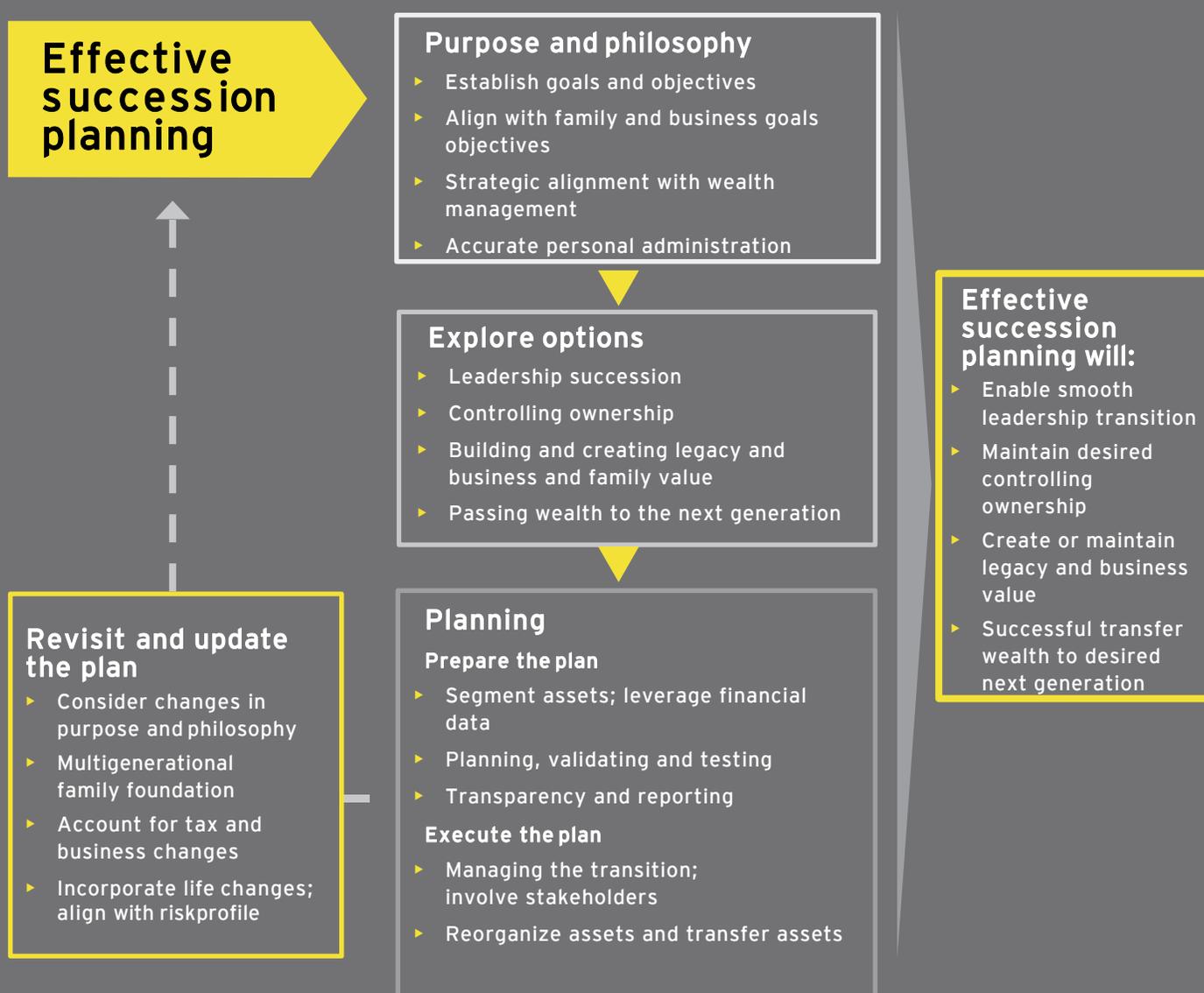
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are attributable to transfer taxation.



## Where are you on your succession journey?

The chart below provides an at-a-glance view of our approach to succession planning. We hope it will give you a chance to assess where are you on your journey into the future.



If you wish to speak to us about your succession planning needs, please contact us.

## About EY's Strategic Growth Markets Network

EY's worldwide Strategic Growth Markets Network is dedicated to serving the changing needs of high-growth companies. For more than 30 years, we've helped many of the world's most dynamic and ambitious companies grow into market leaders. Whether working with international, mid-cap companies or early stage, venture-backed businesses, our professionals draw upon their extensive experience, insight and global resources to help your business succeed.

[ey.com/sgm](http://ey.com/sgm)

## About EY's Family Business Services

EY is a market leader in advising and guiding family businesses. With almost a century of experience supporting the world's most entrepreneurial and innovative companies, we understand the unique challenges they face – and how to address them. We offer a personalised range of services aimed at the specific needs of each individual business – helping it to grow and succeed for generations. Our Family Business Global Center of Excellence is a powerful resource that provides access to our knowledge, insights and experience, connecting family business owners to their peers through the strength of our global network.

[ey.com/family business](http://ey.com/family business)

# EY Family Business Center of Excellence

The Family Business Center of Excellence brings together advisors from the EY global network to share knowledge and insight to address family business challenges and provide seamless service for internationally based, family-owned companies. Wherever you are based or whatever your needs, there is someone ready to help you to succeed for generations.

Visit [ey.com/familybusiness](http://ey.com/familybusiness) for more information about our Family Business Center of Excellence.

Follow us on Twitter: @EY\_FamilyBiz, #EYFambiz.



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# Publications



## Family business philanthropy creating lasting impact through values and legacy

Family business philanthropy is a vital contributor to education, health and humanitarian aid globally. In the US, corporations and foundations, many of which are family-owned, donate over US\$67b per year. In the UK, the top 100 family businesses and foundations contribute £908m per year to societal causes and, in Germany, family foundations donate around €490m every year to philanthropic projects<sup>1</sup>. But what drives families to engage in philanthropy?



## EY Family Office Guide: Pathway to successful family and wealth management

This edition is designed as a learning tool to provide guidance to families considering setting up a family office. They include business families who wish to separate their family wealth and assets from the operating business, and successful entrepreneurs looking to structure the liquidity gained from a highly profitable sale in order to further grow and preserve their wealth. It is also a useful guide of the current leading practices for those who already have a family office. When compiling this report, EY worked extensively with Credit Suisse, the University of St. Gallen and family offices themselves, a few of which have provided illuminating case studies throughout the report.



## Staying power: how do family businesses create lasting success?

Family businesses account for more than two-thirds of all companies around the world and 50%-80% of employment in most countries.

With that kind of global impact, it's vitally important to understand what makes successful family businesses tick. We partnered with the Kennesaw State University Cox Family Enterprise Center and surveyed the largest family businesses in each of the top 21 global markets to find out how they manage the important issues.



## Worldwide Estate and Inheritance Tax Guide 2016

The 2016 edition summarises the gift, estate and inheritance tax systems and describes wealth transfer planning considerations in 38 jurisdictions and territories. It is relevant to the owners of family businesses and private companies, managers of private capital enterprises, executives of multinational companies (MNCs) and other entrepreneurial and internationally mobile HNWIs.



## Coming home or breaking free?

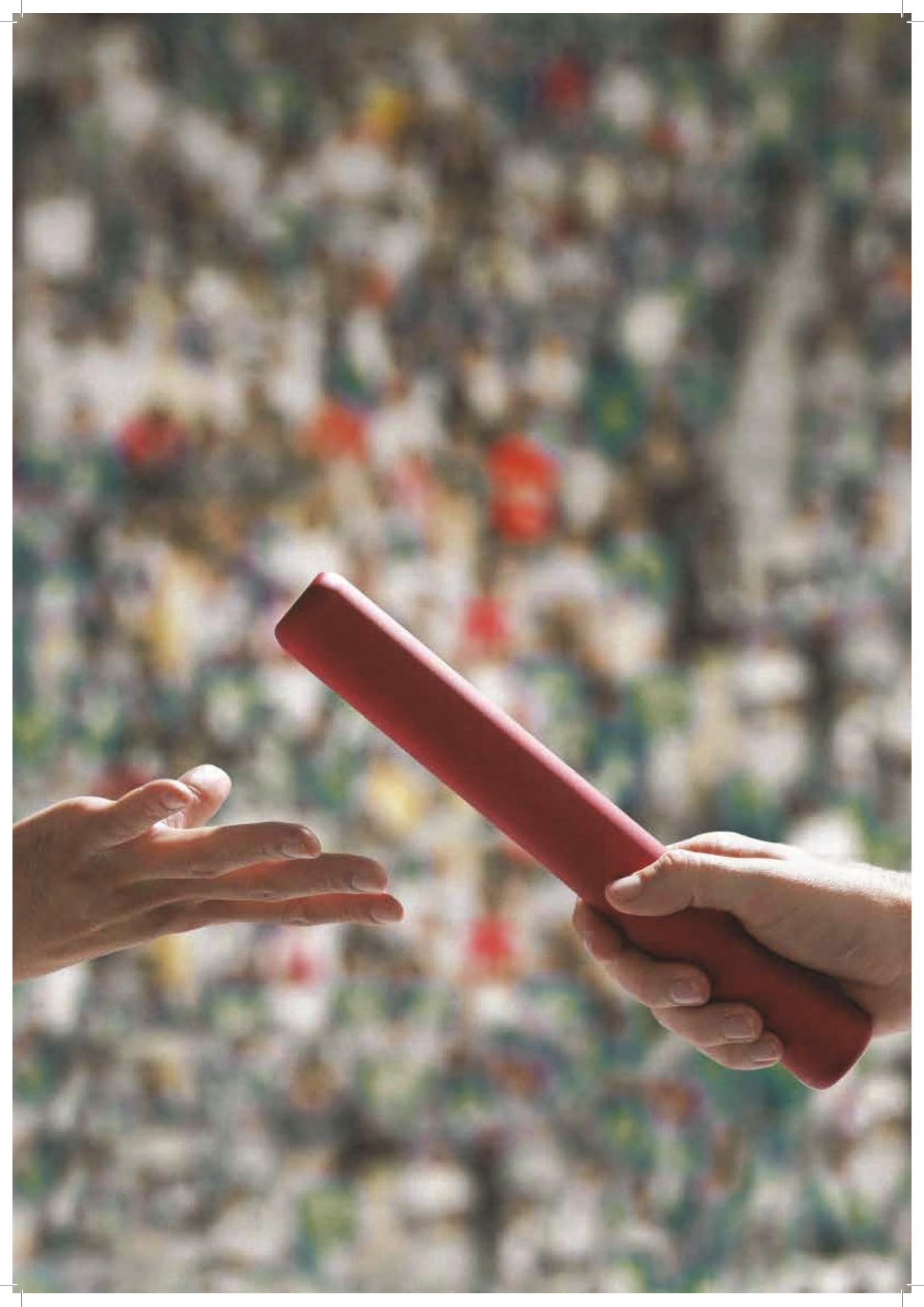
Family business owners have a strong desire to keep their company under family control across generations. But who is best suited to take over, and which factors encourage succession within the next generation?

In our previous study, *Coming home or breaking free? Career choice intentions of the next generation in family businesses* (2011), we explored what motivates students to pursue a career in the family business. In this study, we continue that exploration of succession intentions but with an even broader international scope.



## Women in leadership: The family business advantage

The largest, longest-lasting family businesses in the world are moving women further and doing so faster than their non-family counterparts. Why is this important? Because these businesses are the anchors of the world economy. Family businesses as a whole create an estimated 70%-90% of the global GDP and 50%-80% of jobs in the majority of countries worldwide.



## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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