

Global Family
Business Survey 2018

Growth Innovation Purpose

Key findings for FINLAND



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Executive summary



From April to August 2018 we interviewed nearly **3,000** key decision makers in family businesses with a **sales turnover of \$5m+**



Interviews were **in-depth** taking 35 minutes by phone, online and in person



Participants were from **53 countries** all over the world with **10 case study** interviews with some of the world's most iconic family businesses

As digital technologies and innovations disrupt whole industries, growth opportunities are rising as well. PwC's ninth Family Business Survey finds that Finnish family businesses strongly believe in their growth. To execute growth, family businesses are planning to increase M&A activities, conquering new countries and turning more to experienced professionals with the right skills and capabilities to steer the change. Next Generation could play a key role in driving change, but for now they are seen as unleashed potential to many Finnish family businesses.

Family business leaders also recognize the challenge of digital technology, but it doesn't mean they are ready for it - half of the respondents state that they are taking significant digital steps in the next two years.

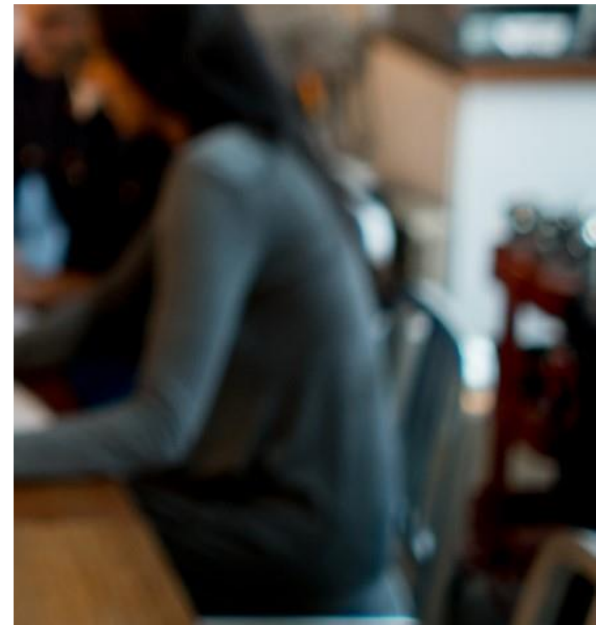
Key questions that we address in 2018

1. What is the future outlook and how are the growth plans executed?
2. How do you finance your business? Are you open to external sources of finance?
3. How are you approaching the digital age? Do you have a strategy? Do you have the right talent?
4. Do you codify your values and purpose? How are they communicated? Do you, your family and your business live by them?
5. Do Nordic Families plan to establish Family Office in the near future and if so how will it serve them?

pwc.fi/perheyritystutkimus
#PwCFamBizSurvey



Survey
background



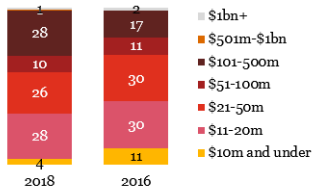
Demographics of Finland participants

Based on **68** interviews in Finland and **2,953** interviews globally completed in over 53 territories worldwide, our 9th Global Family Business Survey interviewed decision makers in businesses of **\$5m+** sales turnover.

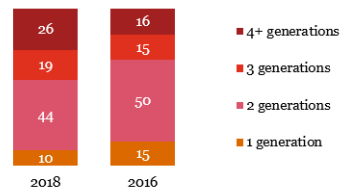
Company profile – what companies were included?

%

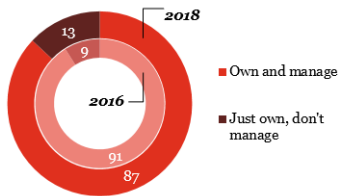
Turnover (sales) (US\$)



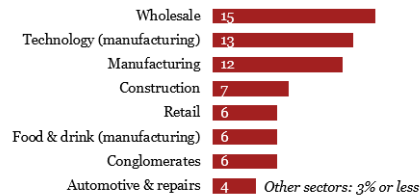
Number of Generations



Family's Role in the Business



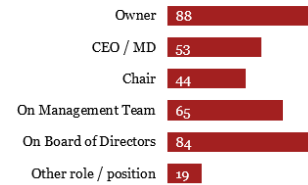
* Sector (2018)



Respondent profile – who did we talk to?

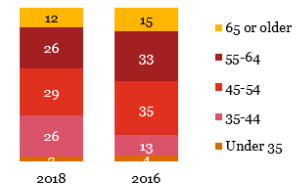
%

* Current Job Role / Position

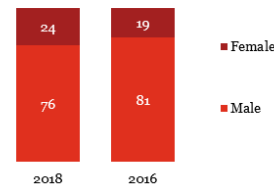


* Question changed from 2016 meaning comparisons not possible

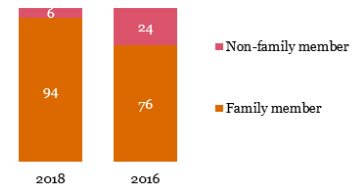
Age



Gender



Family member



Growth

An overview of growth, how growth is financed and made happen



Growth overview: Key facts & figures



Key facts

- Finnish Family Businesses have been growing and also strongly believe in future growth.
- **88%** of Finnish of private company owners are **confident about growth** prospects in the next few years. However positive growth prospects have declined from 2016 by **8%**.

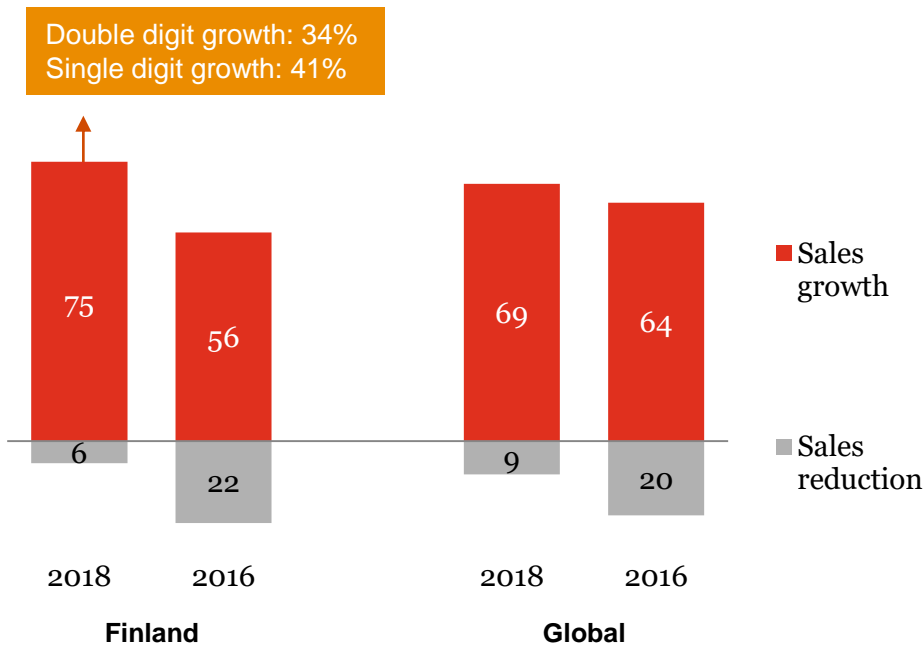
Key figures

- **Revenues** are expected to **continue growing** for the majority of businesses (**88%**), with **13%** saying growth will be “**quick**” and “**aggressive**”.
- **75%** of respondents saw **revenue growth** in the **12 months before** the survey was conducted (56% in 2016).

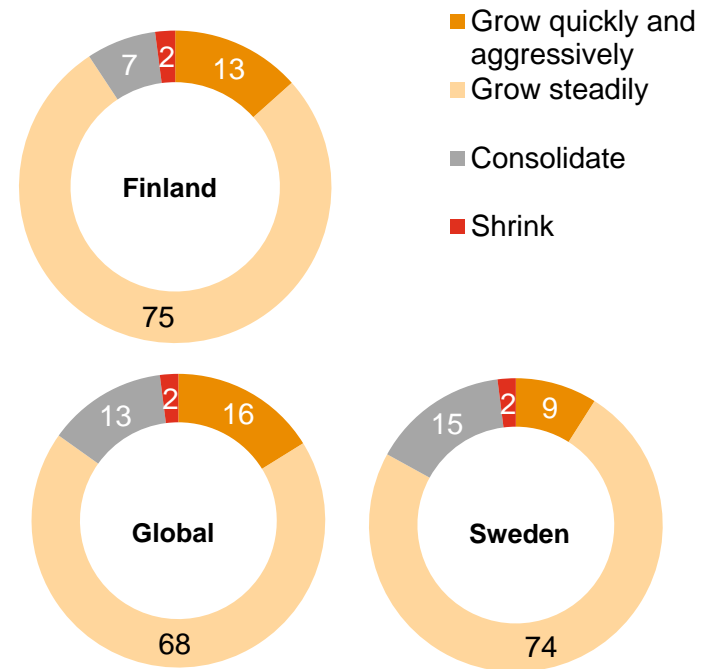
Growth over the last 12 months has increased. 88% expect to grow over the next two years

%

Growth in last financial year



Growth aims over the next two years



71% of businesses in Sweden have seen growth in last financial year.

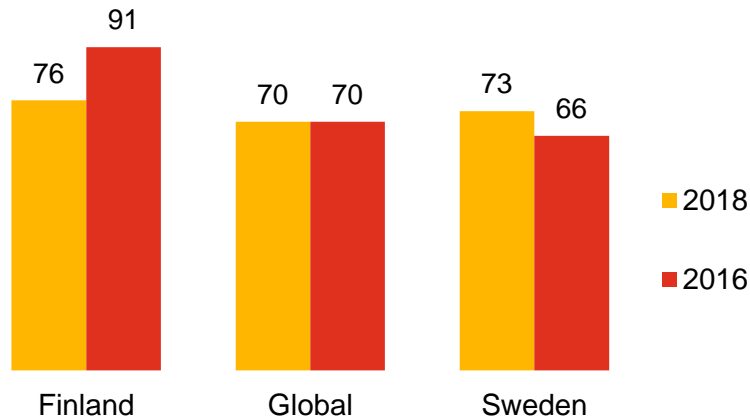
In 2016, 96% of businesses in Finland and 85% of Global businesses expected to grow over **the next five years.**

Q1a. Looking back over the last financial year would you say your sales have been... ?
Q1b. Which of the following best describes your aims for growth over the next two years?

76% of family businesses in Finland currently export their goods or services (down from 91% in 2016), somewhat higher than the global average

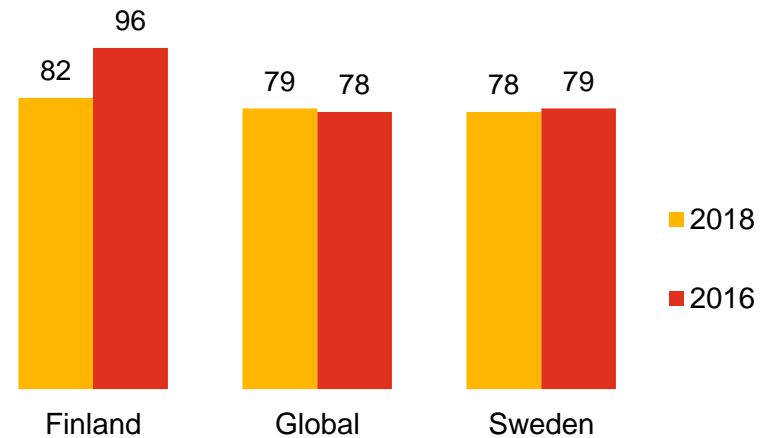
%

Any current international sales



On average, foreign sales accounts for 25% of turnover in Finland. This average includes all businesses (even those not exporting at all).

Any future international sales (five years' time)



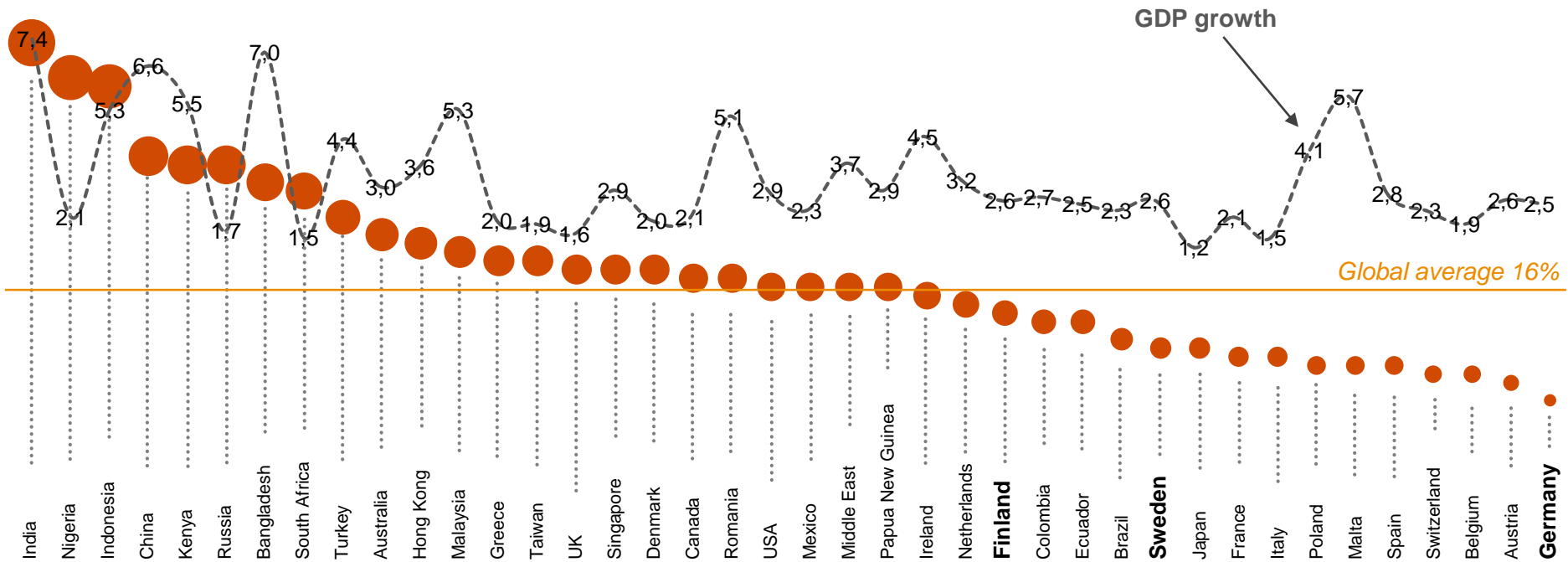
On average, it is estimated that foreign sales will account for 34% of turnover in Finland in five years' time. Again, this average includes all businesses (even those expecting that they won't be exporting at all in five years' time).

Growth ambitions broadly match GDP growth in each country but with some exceptions!

%

Looking to grow quickly / aggressively – by market

GDP Growth (2018) from IMF Data Mapper



Q1b. Which of the following best describes your aims for growth over the next two years?

Bank credit and internal resources are mostly used to fund the business

29% of Finnish FBs would consider bringing in private equity

%



Q14p. Which of the following sources, if any, do you currently use to help fund the business?

Q14q. And which of the following sources, if any, do you think you will start to use to help fund the business over the next 1-2 years?

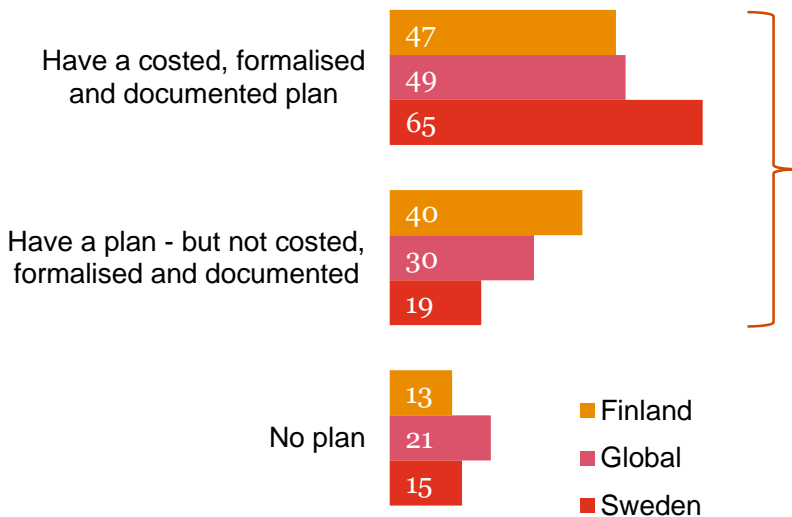
Q14r. And which of the following, if any, would you consider to help fund the business?

Q14s. And which of those is the most attractive?

Just under half say they have a costed, formalised and documented mid-term plan. 13% have no plan at all (lower than the global average)

%

Have a strategic plan for the next 3-5 years



Among those with any sort of plan...

34 % Next generation of the family have been **involved** in developing and agreeing strategic plan (48% Global, 55 Sweden)

86% Have **communicated the plan internally** (82% Global, 86% Sweden)

41% Have **communicated the plan externally** (53% Global, 55% Sweden)

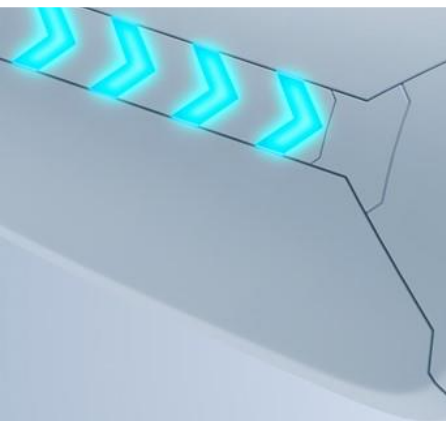
Q4. Does your company have a strategic plan for the next 3-5 years? Q6. Has this strategic plan been fully costed, formalised and documented?

Q5. Which of the following were involved in developing and agreeing your strategic plan?

Q8b. And has this strategic plan been communicated...

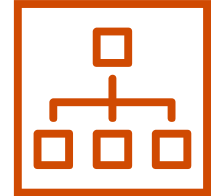
Securing legacy in a digital age

An overview of the challenges facing businesses
over the next two years



Securing legacy in a digital age overview: Key facts & figures

Legacy



Key facts

- In Finland Family Businesses are mainly concerned of finding the **right skills** and capabilities, to **keep up with innovation** as well as **competition stepping up** and disrupting the market.
- To execute the growth families are turning to **external advisors with right skills** and capabilities.
- Family business leaders **recognise the challenge of digital technology**, but it **doesn't mean they are ready** for it.

Key figures

- Among the top challenges businesses are facing are: accessing the right **skills and capabilities (72%)** **innovation (60%)**, and **competition (53%)**
- Far more businesses feel **vulnerable to digital disruption (32%)** than in 2016.
- To execute and reach growth expectations Finnish family businesses are planning to **bring experienced professionals outside the family (60%)** to help run it and make **significant digital steps (51%)**

Accessing skills & capabilities, innovation and competition are the key challenges faced by Finnish family businesses

%

Key challenges over the next two years (Top 2)

		Global	Sweden
Accessing the right skills & capabilities	72	60%	58%
The need to innovate to keep ahead	60	66%	60%
International competition	53	38%	37%
Domestic competition	53	49%	29%
Economic environment	50	56%	31%
Digitalisation	43	44%	41%
Professionalisation of the business	37	41%	29%
Data management	28	39%	31%
Succession	28	33%	22%
Prices of energy & raw materials	26	43%	33%
Regulation	24	43%	28%
Access to financing	22	25%	19%
The growth of artificial intelligence/robotics	21	22%	12%
Cybersecurity	18	39%	29%
Corruption in the countries where you operate	13	23%	8%
Conflict between family members	10	14%	6%
International tax reform	4	16%	9%
The UK's decision to leave the EU	4	11%	6%

**Similar hierarchy in 2016
(for next five years)**

10% have named digitalisation as major challenge in Finland. (15% Global, 13% Sweden)

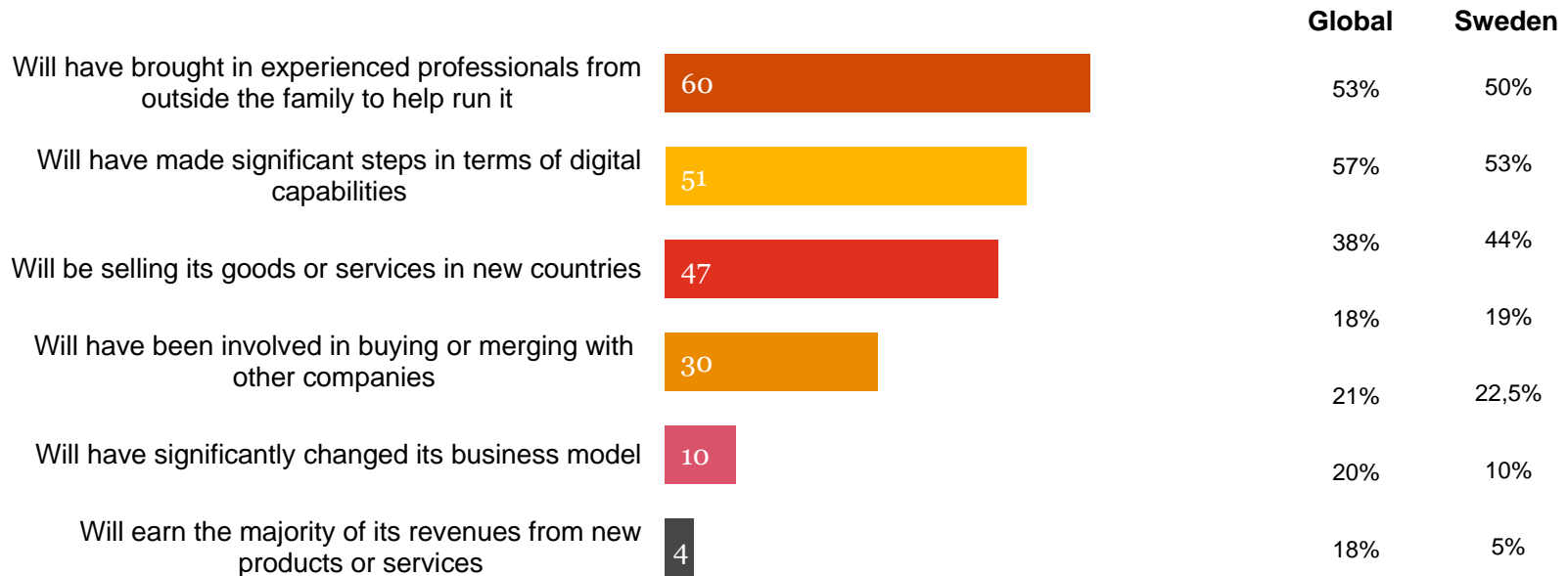
Q3a. I'm going to read out a number of factors and I'd like you to tell me how much of a challenge you think each one will be for your business over the next two years on a scale of 1-5, where 1 means it will be a minor challenge or not particularly important and 5 means it's going to be a major challenge for your business

60% are planning to bring in experienced professionals from outside the family to drive growth

Only a minority of businesses expect to change their business models or to be earning significant revenue from new products or services.

%

Likely true of business in 2 years (Top 2)



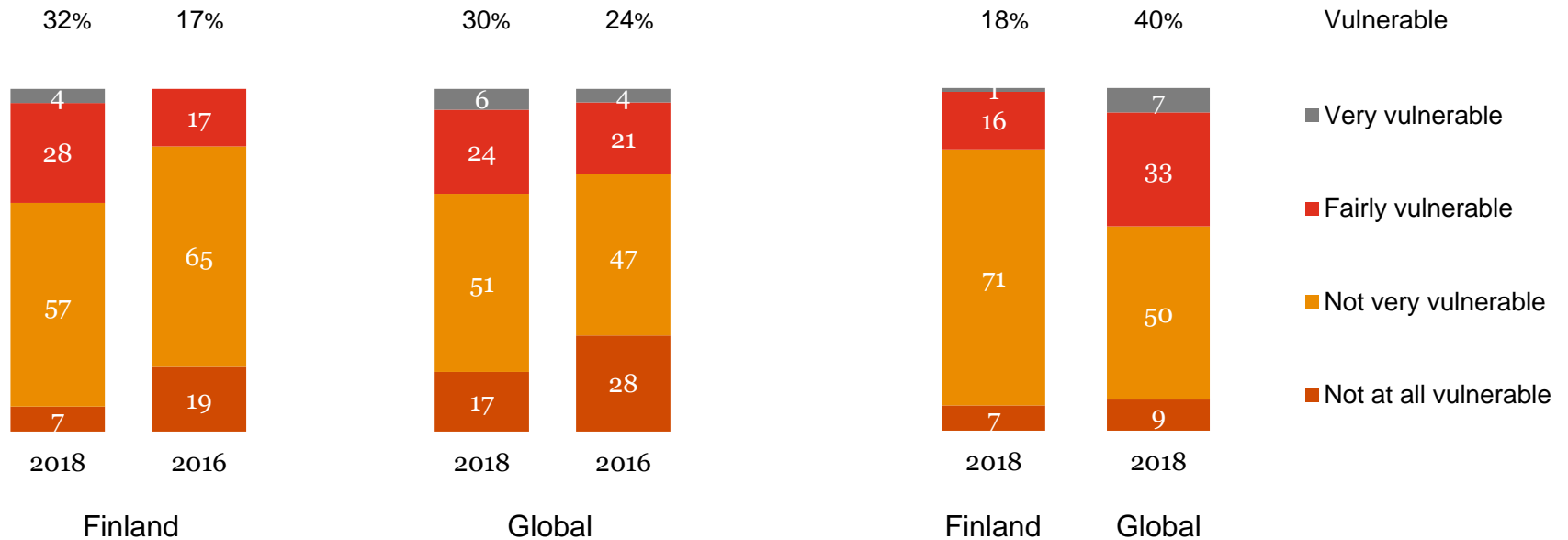
Q2. Thinking about the business in 2 years' time, realistically how likely is it that the following statements will be true of your business? Please use a scale from 1 to 5 where 1 is not at all likely and 5 is very likely.

Far more businesses feel vulnerable to digital disruption (32%) than in 2016. Finnish businesses feel less vulnerable to a cyber-attack than the global average however

%

Business vulnerability to digital disruption

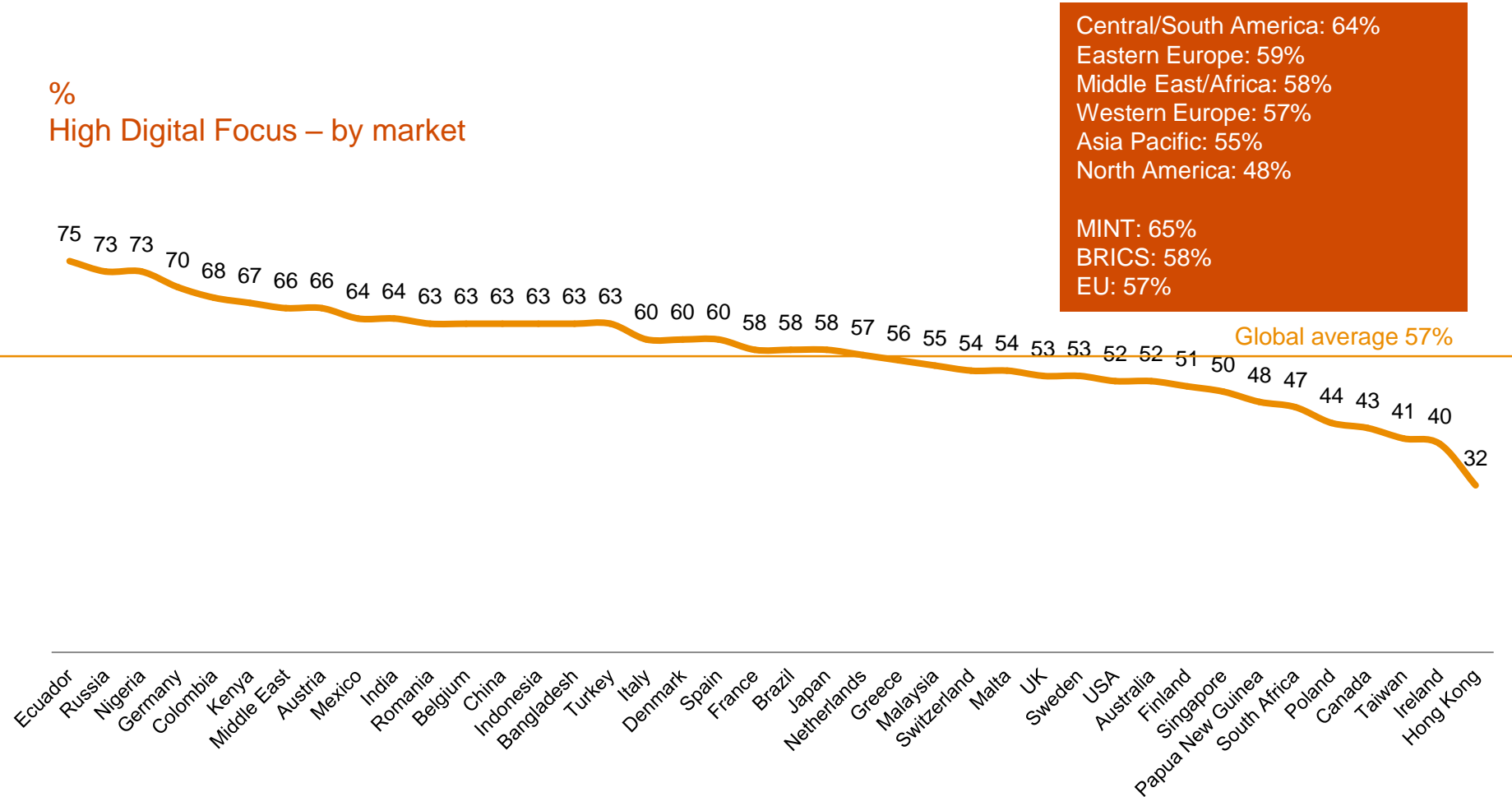
Business vulnerability to a cyber-attack



Q2. Thinking about the business in 2 years' time, realistically how likely is it that the following statements will be true of your business? Please use a scale from 1 to 5 where 1 is not at all likely and 5 is very likely.

Family businesses in Eastern Europe and Central / South America more likely to have a high digital focus

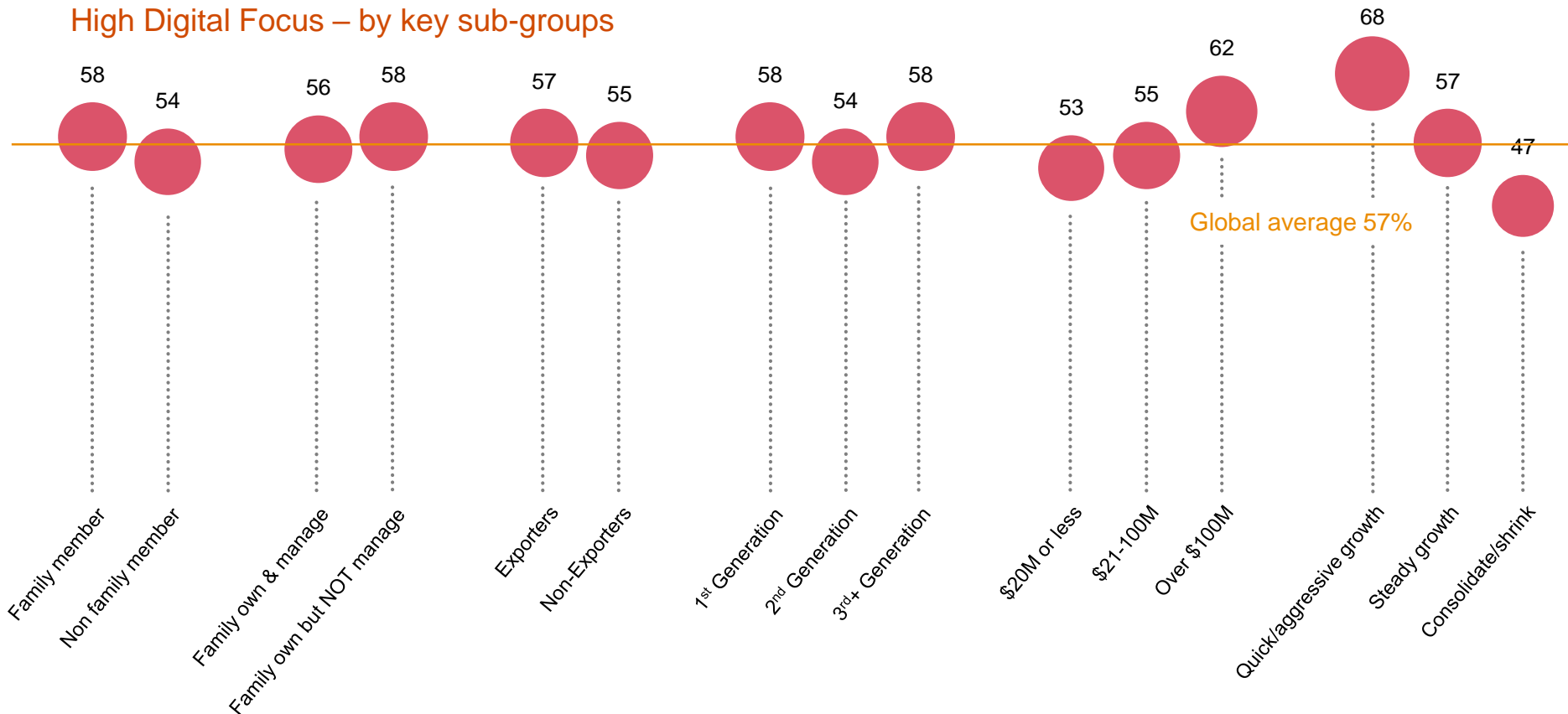
%
High Digital Focus – by market



Q2_06. Thinking about the business in 2 years' time, realistically how likely is it that 'The business will have made significant steps in terms of digital capabilities' will be true of your business?

Larger businesses and those with a focus on quick/aggressive growth tend to have higher digital focus

%
High Digital Focus – by key sub-groups



Q2_06. Thinking about the business in 2 years' time, realistically how likely is it that 'The business will have made significant steps in terms of digital capabilities' will be true of your business?

Five principles for building a digital legacy



Digital rethink

Accept that the digital revolution has created a different world than the business has experienced in the past. Assumptions about how to create value may have to be re-evaluated.



NextGen knowledge

Recognise that the next generation in your family business can play a key role in ensuring you are digitally fit-for-purpose. Accept advice from next-gen family members.



Encourage innovation

Empower your next generation family members to experiment, gain experience outside the business and give them an innovative role in digital transformation.



Reverse mentoring

Encourage next-gens to bring older employees along on the digital journey through “reverse mentoring”.



Embed digital

Embed digital into the family’s values. The business values should remain the same as you adopt a new digital strategy.



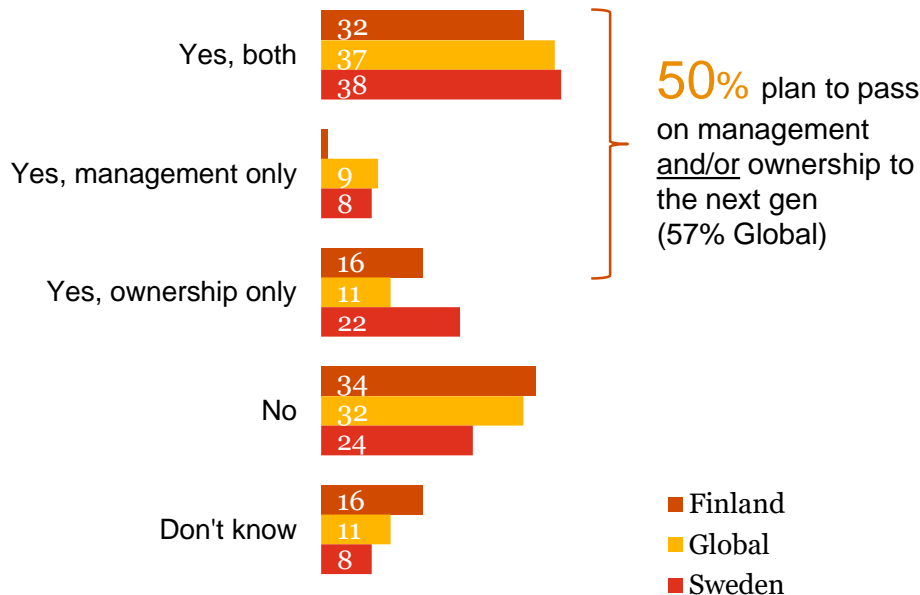
Family involvement and succession planning

An overview of next generation involvement and family governance issues, succession and future plans for the business.

50% plan to pass on management and/or ownership onto the next generation.

%

Passing on management / ownership to the next generation?



But rising to...

63% of those who already have next gen working in the business, plan to pass on management and/or ownership to the next generation (68% Global)

44% have NOT involved next gen in preparations for these changes (30% Global)

Q14f. Is there any plan to pass the leadership and management and / or the ownership of the company to a next generation family member?

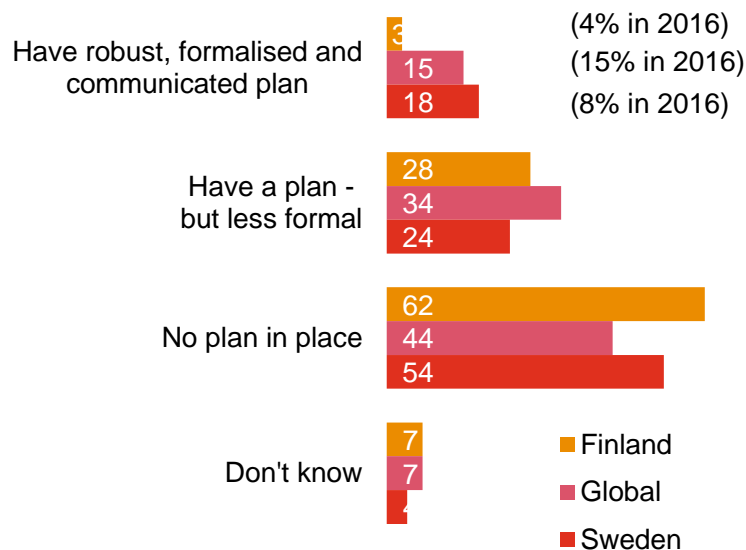
Q14h. And in what time frame are you likely to pass the [leadership and management and ownership / leadership and management] of the company to a next generation family member?

Q14j. Have you involved the next generation family member (or members) in any preparations for this/these changes?

Only 3% of Finnish family businesses have a robust, formalised and communicated succession plan in place (lower than the global average of 15%). 62% have no plan

%

Have a succession plan in place?



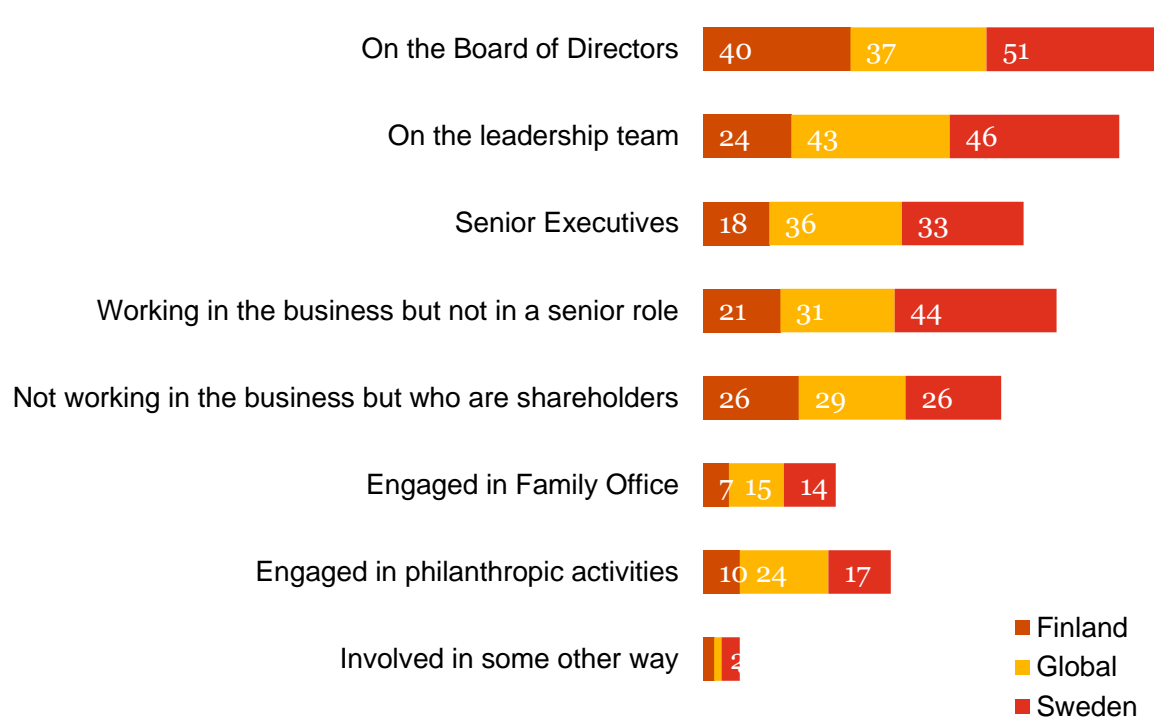
Among those with no plan, 43% claim they are likely to develop one (45% Global, Sweden 42%)

Q14a. Does your company have a succession plan in place? Q14b. Is this succession plan robust, documented and communicated or is it less formal than that? Q14e. How likely are you to develop a succession plan in the next 2 years?

51% of Finnish family businesses have next generation family members working in the business

%

Involvement of next generation in business



51% of Next Gen work in the business (65% Global, 71% Sweden)

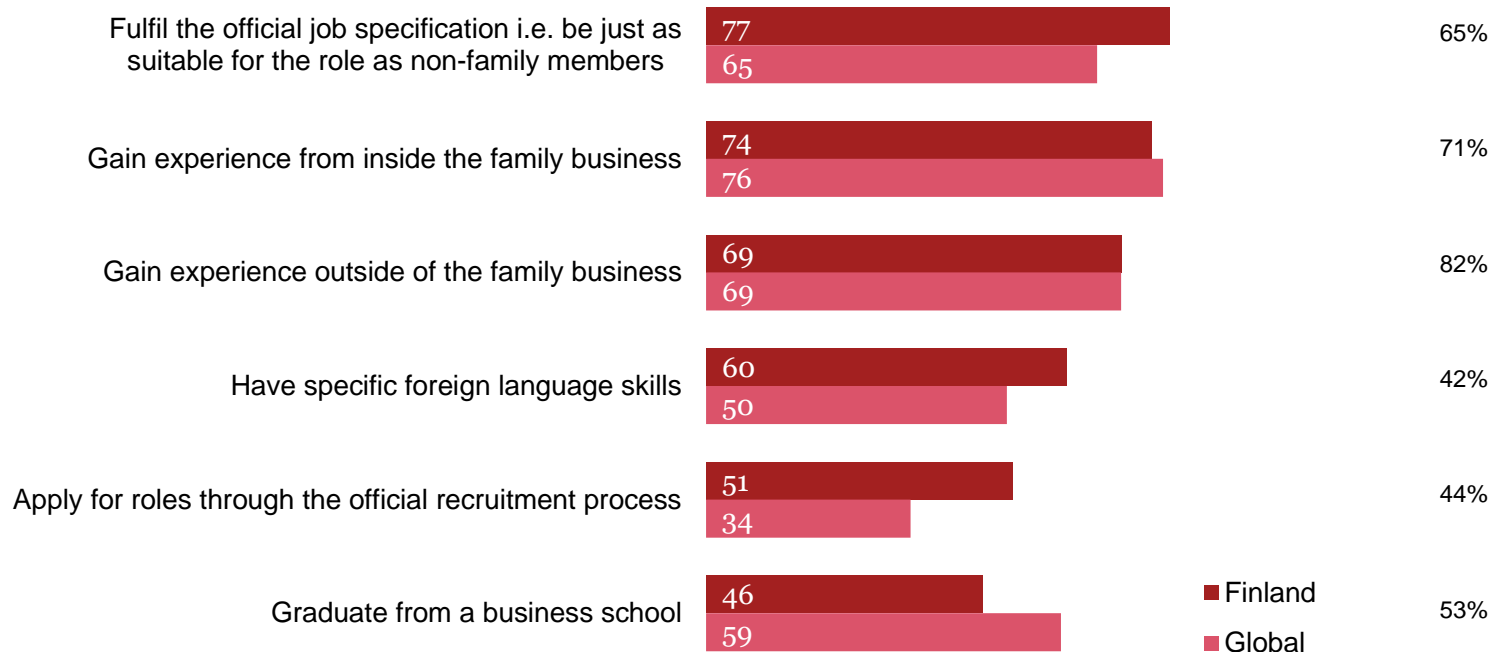
Q12a. Are there any next generation family members involved in the business who are...?

Next gen working in the business are largely expected to gain internal and external experience and be just as suitable as other candidates

%

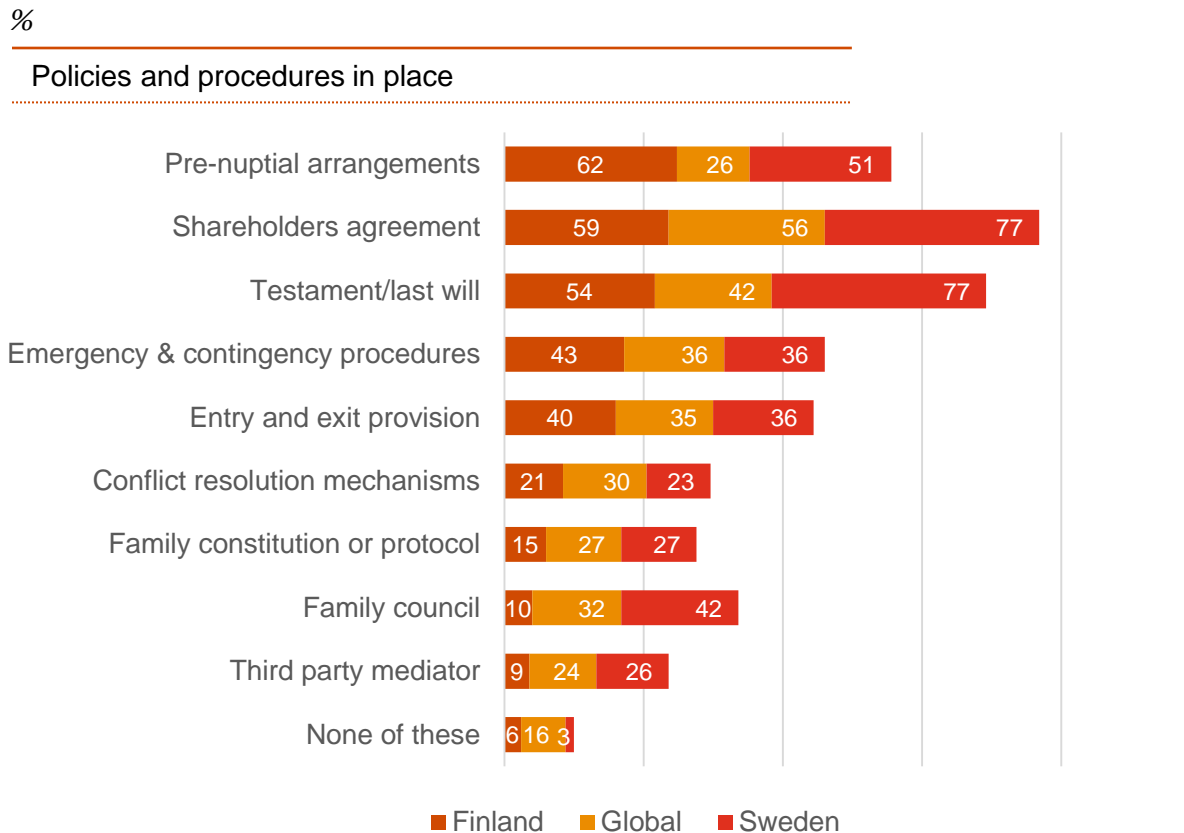
Expectations for next gen family workers

Sweden



Q12b. Generally speaking, are next generation family members working in the business expected or encouraged to...?

94% of Finnish family businesses have some form of policy/procedure in place within the business



94% have some form of policy / procedure in place within the business (84% Global, 97% Sweden)

Very few have written family constitution or established family council

Q13. Which of the following policies and procedures, if any, do you have in place?

Five principles for a forward looking succession strategy



Legacy

Legacy should involve a plan for leadership, board and ownership succession to create a comprehensive, formalised “continuity plan”.



Strategic Plan

A forward-looking, mid-term strategic plan focuses both on transition and also how the next generation become the new managers of the business.



Leadership Succession

Effective leadership succession is best handled through long-term strategy, planned over five to fifteen years, with a variety of candidates who are given training and opportunities to grow.



Board Consultation

Board members with multiple industry perspectives can help with navigating the vast changes that businesses are facing today, especially around digital disruption.



Ownership

A good ownership succession plan should consider the most effective ownership structure for the business, and should be continually assessed by the family.

Getting value from your values

'The values of a company are the operating beliefs and principles that guide behaviour, not just among not just the leadership but among also its employees. These concepts are often embedded in the company's culture.'



Getting values from your values overview: Key facts & figures

Values



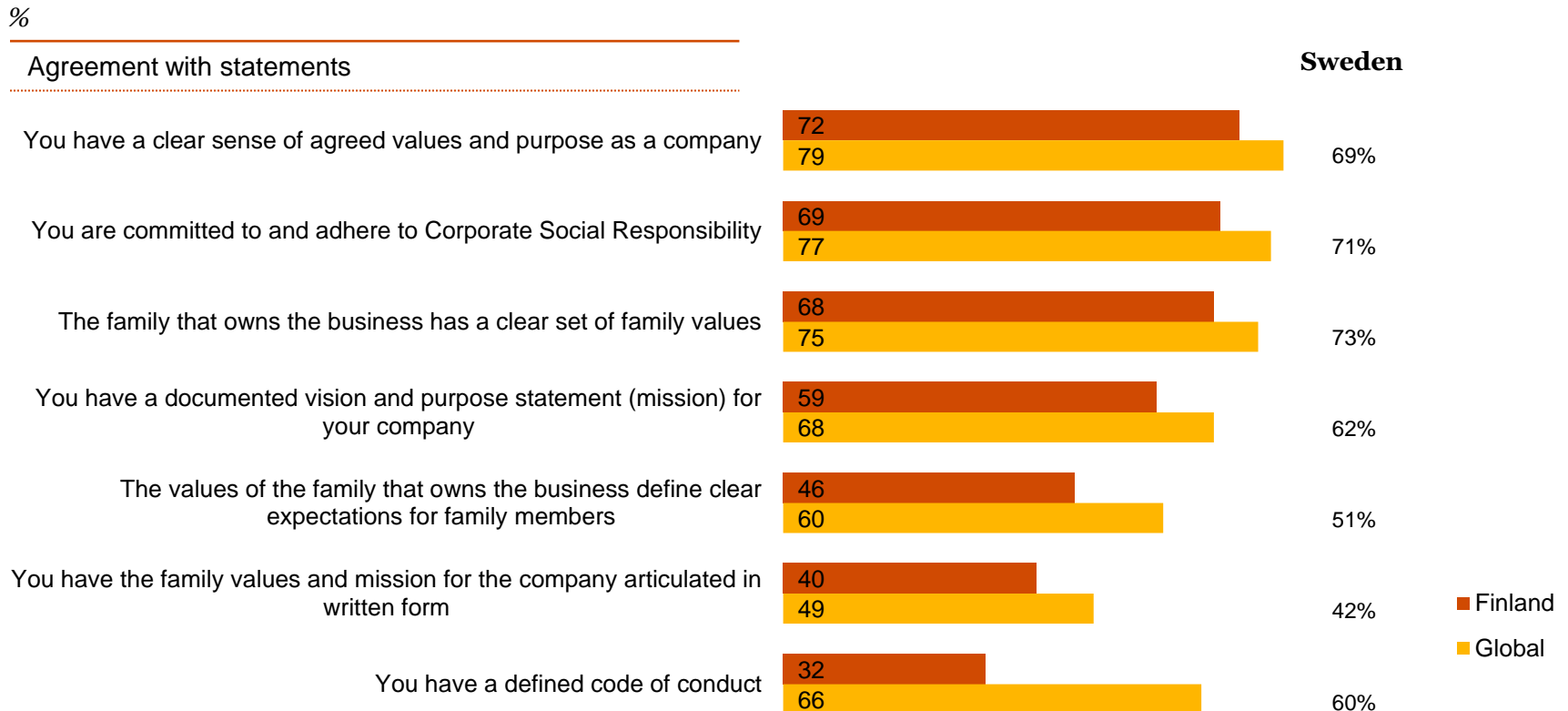
Key facts

- Companies that are managed with **strong values**, a **clear purpose** and an **eye for legacy** will tend to **build trust** and **loyalty** among staff, suppliers, and consumers, and will have a **greater resilience** during downturns.
- Our research shows that family businesses that make their values and purpose **explicit and measurable**, and incorporate them into strategic plans, see **better returns** and **greater longevity**.
- Businesses that **embody** their values in everyday practices and routines get **better results**.

Key figures

- **72%** of Finnish family businesses have **clear sense of values and purpose as a company**
- Those family businesses with a clear sense of agreed values feel strongly that these benefit the company in many ways; notably in areas of **staff retention 86%** and **business reputation 84%**
- **Only 40%** of respondents had values articulated in **written form**.

72% have a clear sense of agreed values and purpose as a company but only 40% have their values and company mission down in written form



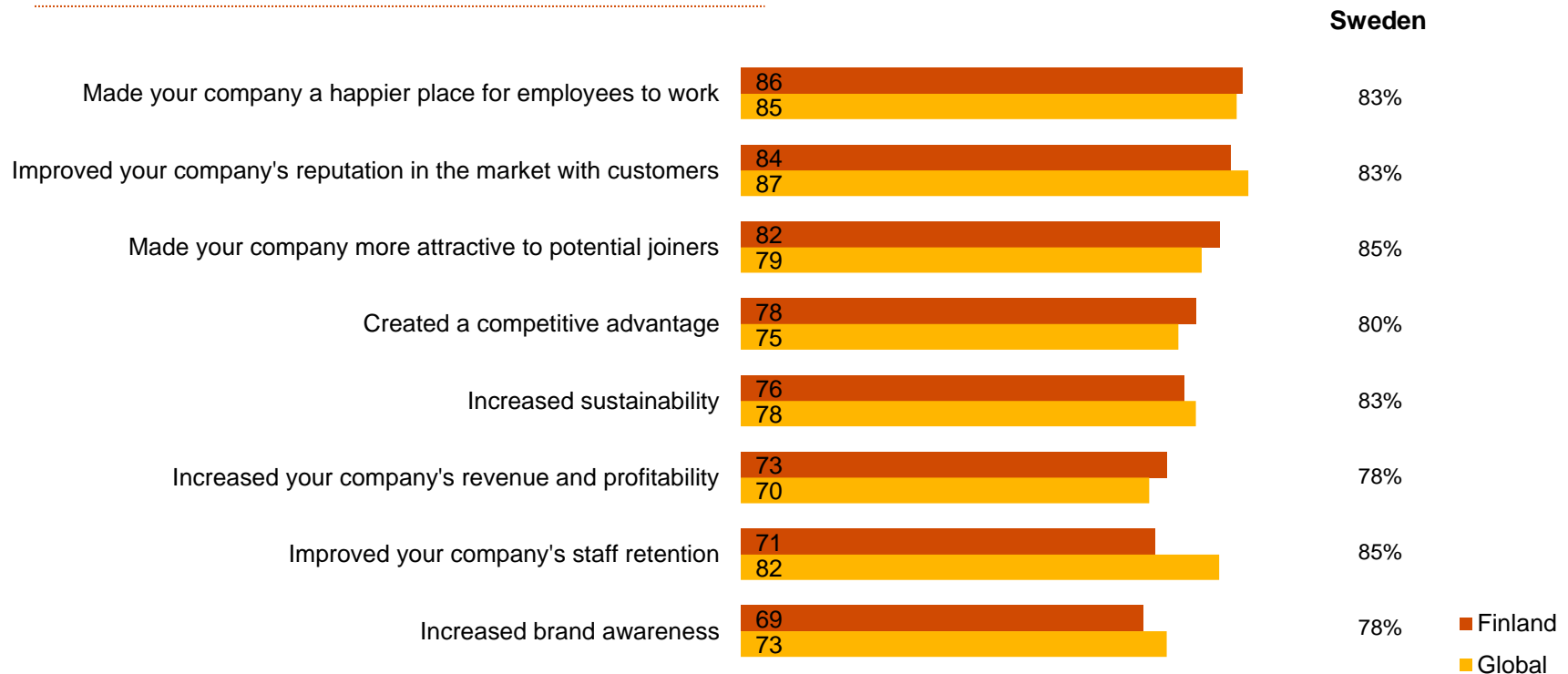
Q15. I'm now going to read out some more statements. For each one I read out, I'd like you to tell me how much you agree or disagree on a scale of 1-5, where 1= Disagree strongly and 5 = Agree strongly.

Those with a clear sense of agreed values feel strongly that these benefit the company in many ways; notably in areas of staff retention / recruitment and business reputation

In “harder” areas too, around three-quarters feel their values have had positive effects on competitiveness and profitability

%

Would say that values and purpose...

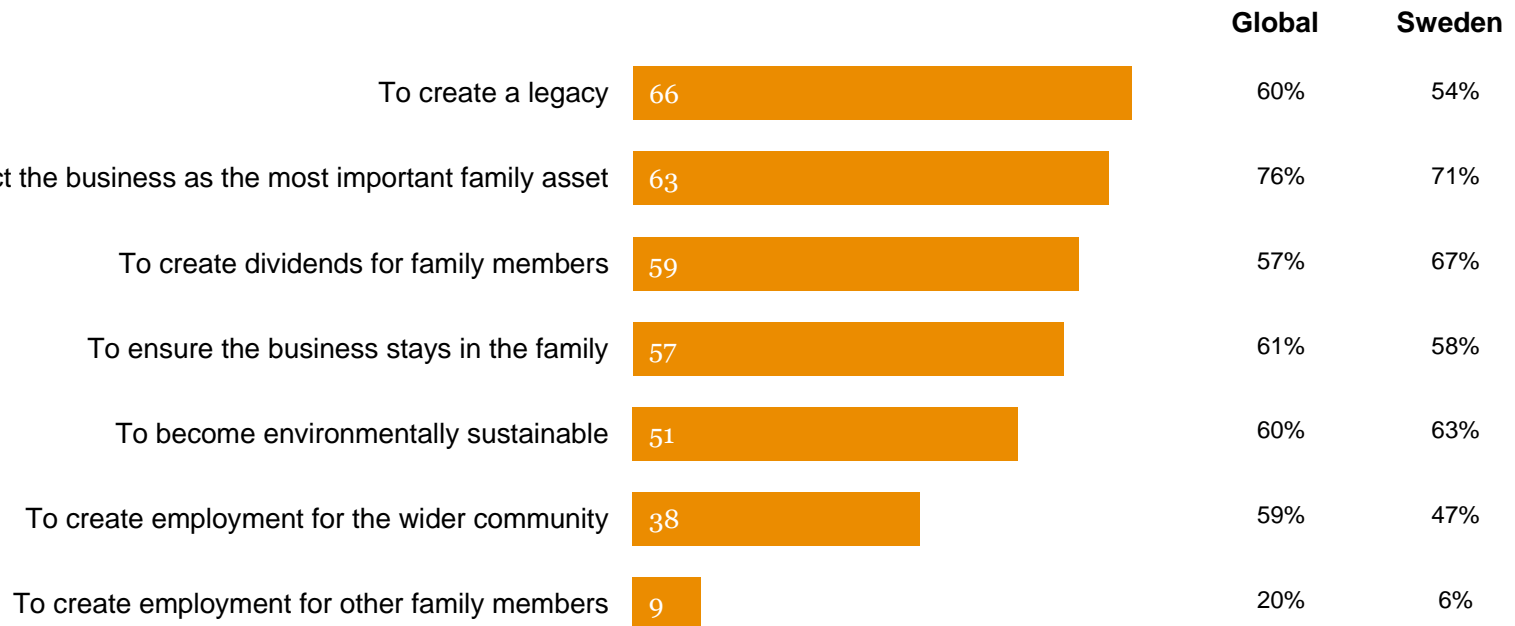


Q17. And which of the following impacts, if any, would you say that these values and purpose have had on the business? Would say they have...

Over the longer term, 63% want to protect the business as the most important family asset and 66% seek to create a legacy

%

Long term goals (Top 2)



Q14o. I'm going to read out some potential longer term goals i.e. over the next 5 years or longer. I would like you rate each goal on a scale of 1-5 where 1 means it's not important to you over the long term and 5 means it's essential to you.

Globally 80% say they have a clear sense of company and/or family values. When asked to describe what these values are, however, the answers tend to be rather thin and somewhat generic

Words that come up consistently include:

Honesty

Hard work

Respect

Integrity

Good value

Employee

Companies who have written down their family values and mission give richer and more detailed answers. More values, better articulated – evidence that the rigour of committing values to paper is a meaningful process. Additional words that come up regularly include:

Community

Customer

People

Integral

Committed

Ethical

Sustain

Innovate

Quality

Trust

Fair

Open

Companies who have written down their family values and mission are also more likely than average to:

- Have a formal succession plan in place
- Have a fully costed, formalised and communicated mid-term strategic plan in place
- See cyber and AI as challenges
- Have grown in the last two years
- Expect to grow in the next two years

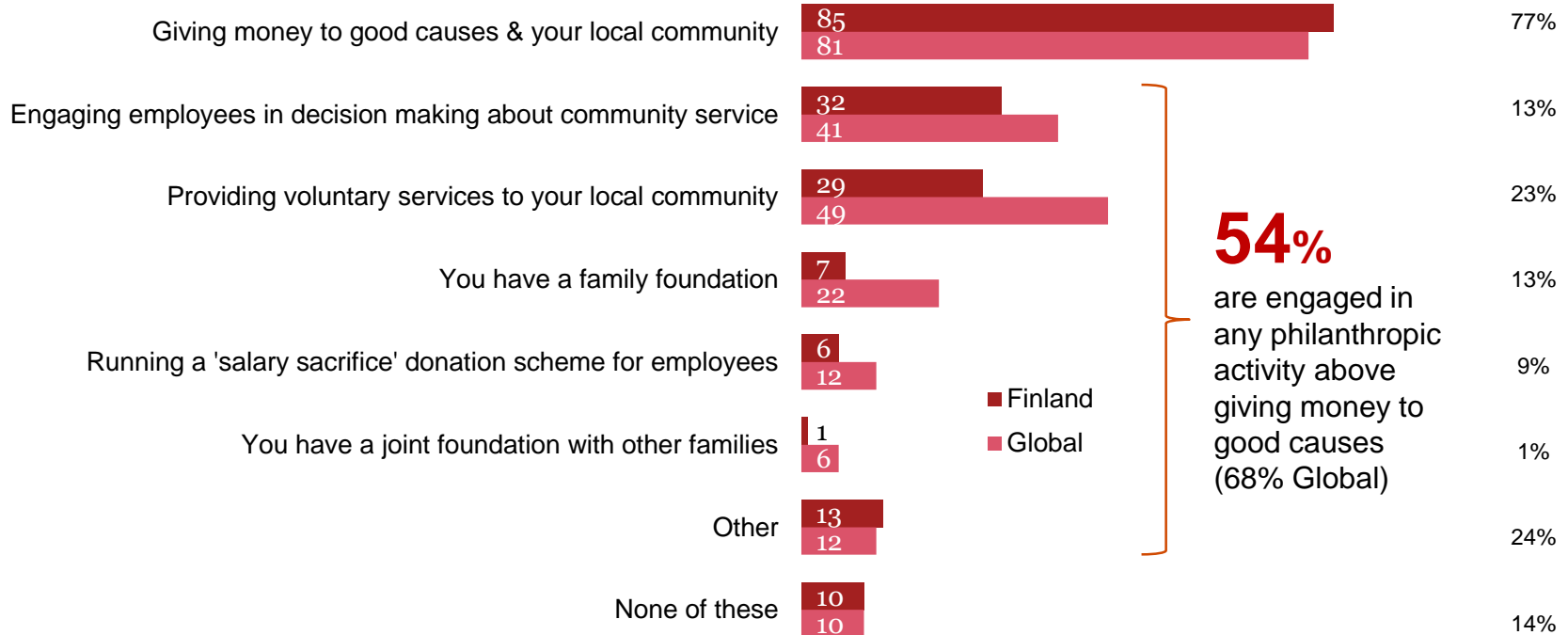
Q18. Can you please describe what these family values / expectations of family members are? Open ended question

Majority engaged in some form of philanthropic activity; for most this has a good causes/community focus

%

Engaged in any philanthropic activities?

Sweden



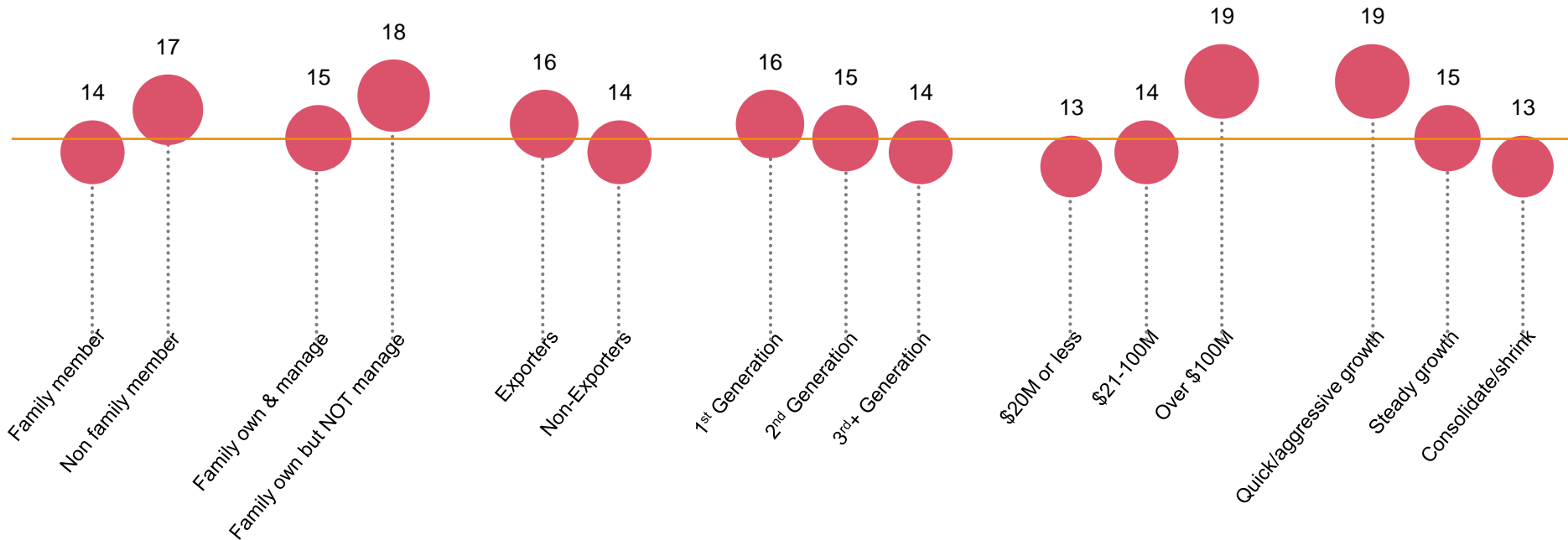
Q19b. Which, if any, of the following philanthropic activities does the family business and/or the family owning the business engage in...

\$100m+ business, those seeking fast and aggressive growth and businesses not managed by the family are more likely to have a ‘high’ focus on philanthropy

%

High focus on philanthropy – by key sub-groups

Global average 15%



Q19b. Which, if any, of the following philanthropic activities does the family business and/or the family owning the business engage in...

Q20. Which of the following methods, if any, do you use to ensure that these philanthropic activities happen? Is philanthropic activity...

Q21. Do you try and measure the success or impact of these philanthropic activities?

Five principles for defining purpose in a family business



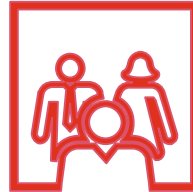
Contextual repurposing

Balance profit and purpose in your family business values by repurposing your mission statement in today's context to ensure a successful statement to take forward.



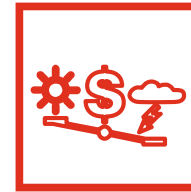
Strategic planning

Translate this purpose into a fully developed strategic plan, including key performance indicators including business performance and also sustainable outcomes.



Personal purpose

Think about your personal purpose in holding the business together, ensuring accountability and speaking to next-gens about their future roles within the business.



Purpose application

When you think about a major transaction, apply the lens of purpose to your assessment of the risks and rewards, and be clear on how it aligns with your purpose.



Purposeful partners

Engage with non-governmental organisations that inhabit the world of purposeful activity. They may be able to help facilitate your own journey with purpose.



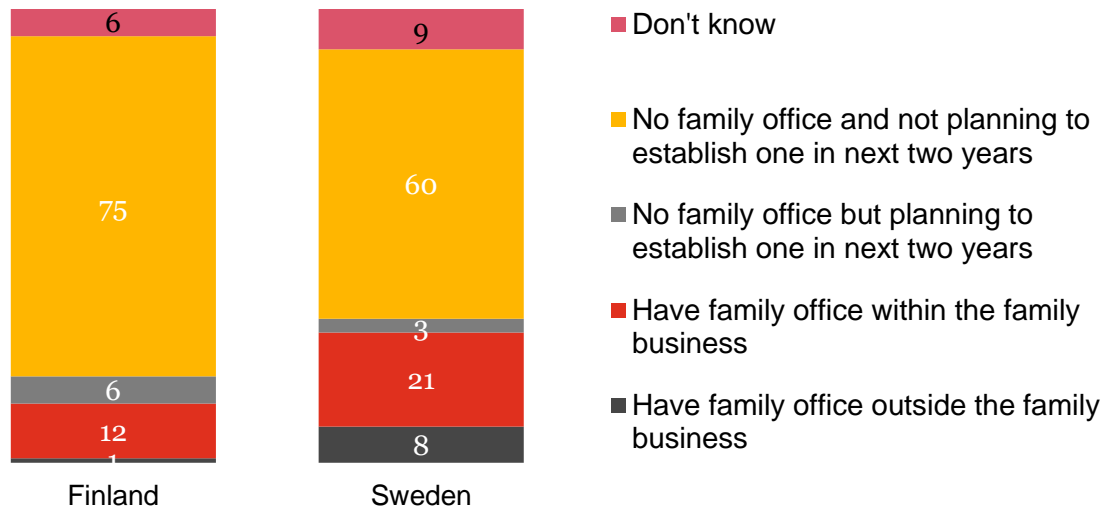
Family Office – securing the wealth in Nordics

Usage of dedicated resources to manage the financial and personal affairs of the family

Only 1% of Finnish businesses have a family office outside the family business and 12% have one within the family business. Most (75%) have no plans to establish a family office in the near future

%

Family office usage

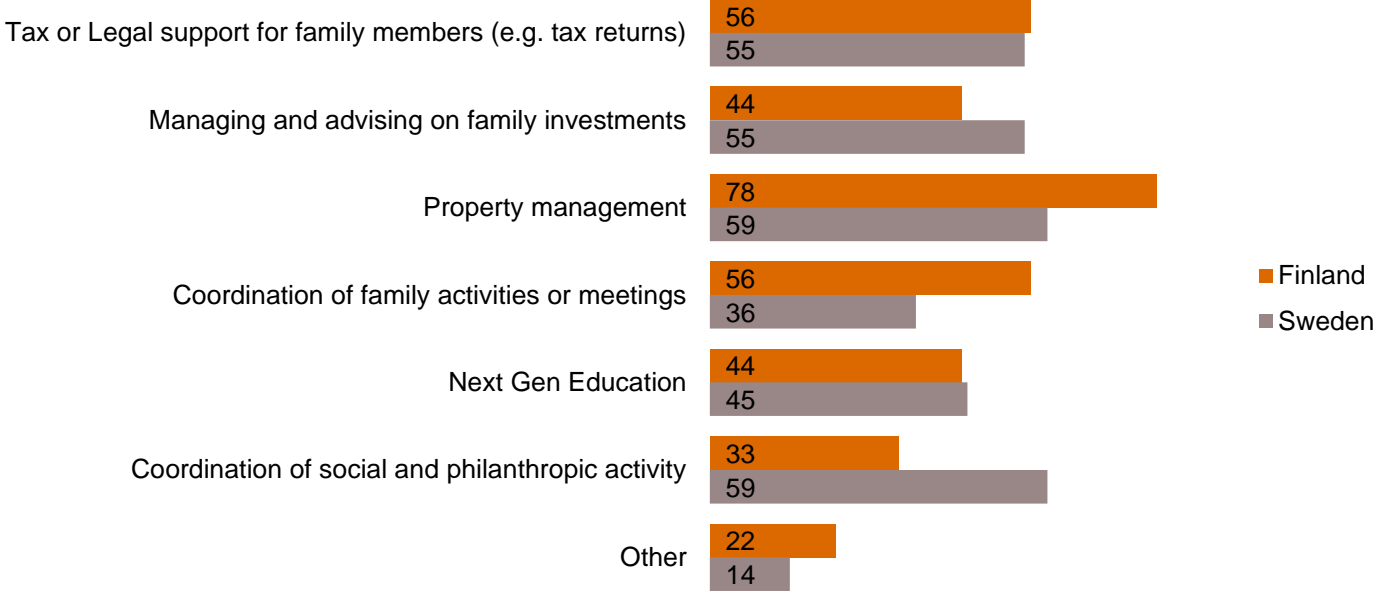


Q24. Which of the following best describes the usage of dedicated resources to manage the financial and personal affairs of the family i.e. a "family office"?


Across the Nordic countries, the family office is used for a number of elements but in particular tax or legal support and managing and advising on family investments

%

Elements managed by family office – Nordics



Q25. Which of the following elements of the financial and personal affairs of the family are currently managed directly by dedicated resources / family office?



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#perheyritystutkimus
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