



# FAMILY BUSINESS SURVEY 2021

SEPTEMBER 2021







# INTRODUCTION

## Grant Thornton Australia

We are pleased to present the Grant Thornton and Family Business Australia and Family Business New Zealand (FBANZ) 2021 Family Business Survey report.

Grant Thornton has a proud history of supporting family companies in Australia and New Zealand over many decades. We've seen how family businesses have evolved over time and over generations, responding to consumer trends and the opening of the world to Australian products and services. They are subject to the same tailwinds as all businesses, but how family businesses respond and grow is what makes them unique.

There are recurring themes that the Family Business Survey has explored over past iterations – resilience, succession, governance, family issues and business planning. However, the backdrop against which we conducted the 2021 survey – off the back of a national recession and the ending of support programs like JobKeeper – has naturally brought to the fore questions around resilience.

The past 12 to 18 months has been a critical period for many family firms. Given the challenges that have been encountered by businesses worldwide as COVID-19 has taken hold and shaped the future of many family companies, it is timely that this survey attempts to unlock the types of behaviours and policies displayed by

resilient family companies (i.e. those firms that have showed financial resilience in the past 12 months and also expect to do so into the next 12 months).

Pleasingly, there was a clear link between transition-ready or succession-ready family businesses and resilience. Knowing who your successor isn't the critical factor, it is the rigour and planning that supports a clear succession strategy that indicates the increased likelihood of the planning and processes to weather the storms of change.

For the first time, the survey also examines how succession-ready family businesses differ in their policies and operations from other family firms, utilising Grant Thornton's unique seven-step FREEDOM succession planning framework.

Grant Thornton is passionate about the important role that family businesses play in contributing to a strong economy and the communities that inhabit them. We believe there are many takeaways from the 2021 survey that will be of benefit to family firms in Australia and New Zealand as they navigate the undoubted challenges that lie ahead.

**Robert Powell, Partner & National Head of Family Business Consulting**



## Family Business Australia and Family Business New Zealand

As Australia and New Zealand's longest running survey into family businesses, Family Business Australia and Family Business New Zealand (FBANZ) are again proud to be part of this important research. Since 2005, we have worked with leading industry partners and researchers to further enhance the understanding of the challenges and opportunities facing families in business.

In collaboration with our National Gold Partner, Grant Thornton, this 2021 survey has brought a fresh perspective on how we can best understand and support families in business. The report provides a greater sense of the shifting priorities of families in business in these uncertain times. The primary challenges remain navigating the transition of the business to the next generation, and managing tension and conflict – the reasons for which change with the generations. We explore for the first time the relative perspectives of women and men (and those identifying as such) on balancing the priorities of both the family and the business.

At FBANZ we are passionate about helping family businesses thrive. We do this by assisting family businesses to harness their unique competitive advantage. Leveraging 'family business' as an asset is what truly sets our members apart from their competition, and we have been successfully helping family business along that path for the past 23 years.

There's a certain understanding and trust that comes when working with a family business. When family work together and share their wins and achievements, it's not just a job, they have the future of their family invested. This is often reflected in their business practices and how they relate to their clients and customers, which benefits from that investment and trust.

We hope you find this report insightful and thought provoking, and a resource to help you reflect on your own family business – your strengths, the areas you need to focus on, and the support you may need to carry on your legacy for generations to come.

**Greg Griffith, CEO Family Business Australia and Family Business New Zealand**



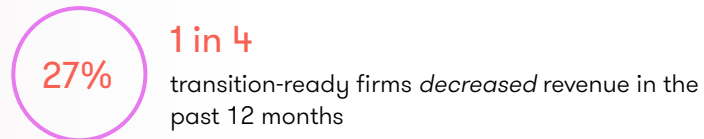
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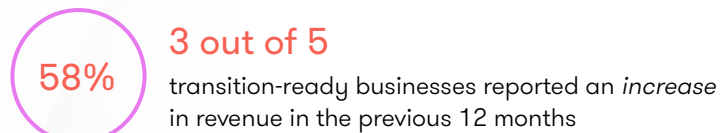
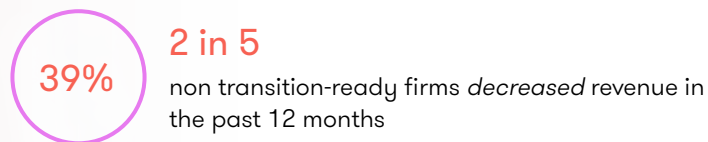


# KEY FINDINGS

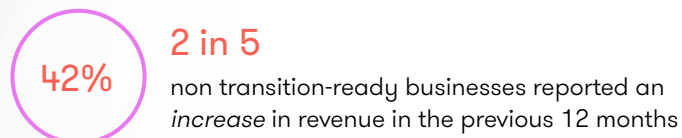
## Transition-ready businesses show more resilience



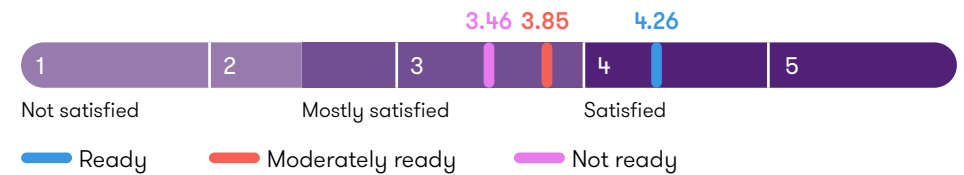
VS



VS



## Transition-ready businesses more satisfied with achievements



## Transition-ready businesses have better governance in place

**50%**  
more likely to have a documented strategic business plan

**>2x**  
more likely to hold stakeholder meetings or forums

**>2x**  
more likely to have a formal process for incorporating family values into formal planning processes

**>2x**  
more likely to have a formal Board of Directors

**>2x**  
more likely to have a Family Constitution or Charter

**6x**  
more likely to have a formal conflict-resolution mechanism

# SUCCESSION REMAINS A CRITICAL ISSUE FOR FAMILY BUSINESSES

Family Business Australia and Family Business New Zealand estimates that 70% of businesses in Australia and New Zealand are family-controlled, employing half of the workforce. It's a significant proportion of the economy.

In addition to sheer numbers, our experience is that family businesses are also more profitable and carry less debt than those not under family management and ownership. The inherent stability, as well as the unique cultural aspects of family businesses lends itself to positive economic outcomes. It stands to reason then that keeping businesses in family hands benefits our economy and our communities.

Many family firms express the desire to keep their business in family control across generations, but for a variety of reasons are unable to do so. Our research deep-dives into the possible reasons for this dearth of 'successful successions'.

## Government agrees family businesses are different and significant

Submissions received during the March 2013 Joint Parliamentary Committee Report into Family Businesses in Australia expressed the common view that 'family businesses differ from non-family businesses in terms of their:

- risk averse, long-term approach;
- flexible decision-making;
- greater commitment to retaining staff;
- significant contribution to the community in which they operate; and
- higher labour productivity than non-family firms.'

In response, the Committee flagged a number of critical questions that Government needs to address: 'For instance, should it be of public policy concern that a large block of family business owners in various sectors of the Australian economy are soon to retire? Should it be of concern to government if these businesses do not have a succession plan in place? More specifically, should it be an objective of public policy to assist in the preservation of family ownership of a business passing from one generation to the next? Is there a productivity or employment gain possible that a public policy response could enable?'

The Government's response to the Committee's recommendations was positive – recognising that family businesses are a significant and enduring feature of the Australian economy, and committing to the establishment of the Small Business and Family Enterprise Ombudsman to advocate for small business and family enterprises in Australia. The Ombudsman was launched on 11 March 2016. Small Business was also moved to sit within the Treasury portfolio.

We note that New Zealand hasn't held a similar inquiry into the role of family enterprise and family business would fall under the remit of the New Zealand Minister for Small Business, The Hon. Stuart Nash.

## Keeping it in the family

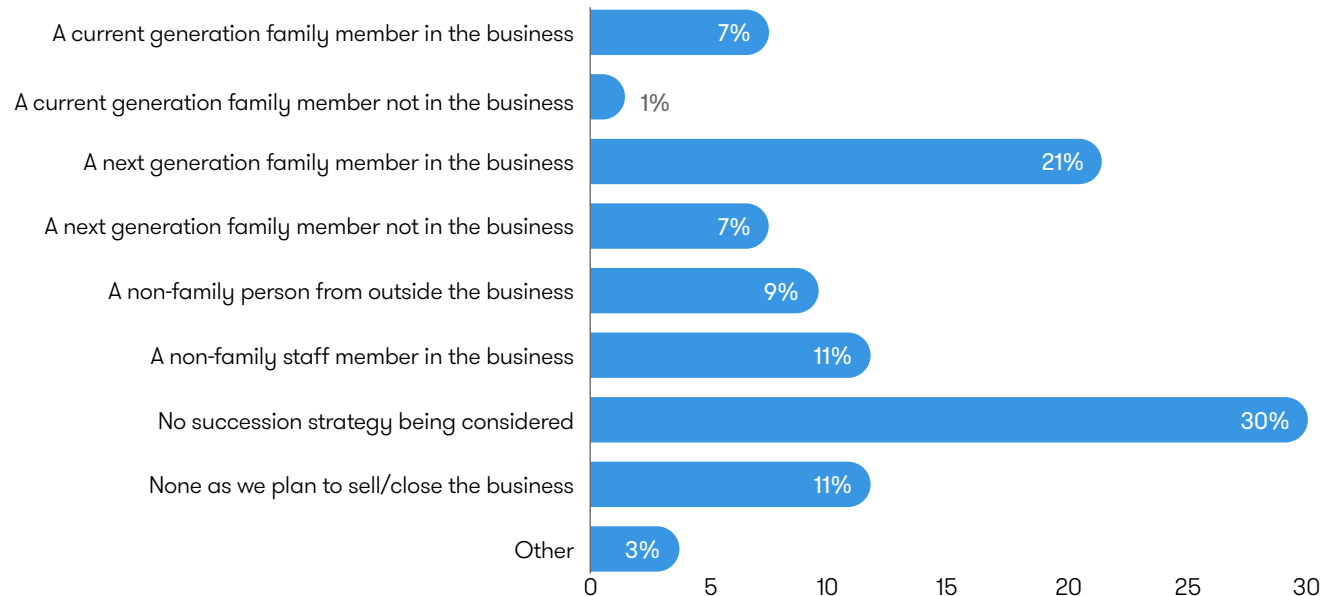
Experience tells us that succession planning is often left until the leadership is ready to retire. However, this is often too late and leaves little time for training and transition. As we will see in the next section, we found that transition-ready businesses were more resilient during COVID-19 and also more likely to anticipate an increase in revenue in the next 12 months.

**30%** **1 in 3** have not considered leadership succession/transition

**56%** **More than half** of family firms have plans to transition leadership

**65%** **2 in 3** of those with succession plans will transition the business to a family member

### Next Successor







## COVID-19 may have hit the bottom line, but not succession planning

Pleasingly, and despite the economic upheaval of 2020/21, 76% of family businesses said COVID-19 did not have any impact on their succession plan.

Examining the current ownership profile of respondents, 81% were first or second generation. Of those who reported a **delay** in succession planning, the proportion of incumbent founders/first generation was significantly higher than in other generations. We believe there are two contributing factors to this result:

1. Companies that have already experienced at least one generational transition may be more prepared to deal with external events (such as a global pandemic); and
2. New entrants onto the family business scene means we have many ‘younger’ founders and first generation owners still scaling up and are prepared to work through the complications from the pandemic.

Impact of COVID-19 on succession plans	All	Founder/1st Gen	2nd Gen	3rd+ Gen
Accelerated the succession plan	9%	4%	4%	1%
Delayed the succession plan	15%	10%	4%	1%
No change to the succession plan	76%	31%	29%	16%
Total	100%	45%	37%	18%





## Of those planning to transition leadership or ownership, there is no rush

A total of 57% of family firms are planning to transition leadership within the next four years. Plans to transition leadership have markedly slowed since 2018, when a total of 72% had planned to transition leadership within four years. As the last survey was taken three years before, this could be a strong indicator that many of those transitions have occurred, particularly as we see a very significant change in the number of businesses that plan to transition leadership in five or more years.

42% of firms expect to transition ownership within the next four years, compared to 40% in 2018, remaining fairly steady in the last three years.

	Timeframe to leadership transition		Timeframe to ownership transition	
	2021	2018	2021	2018
12 months or less	11%	18%	8%	10%
13 months to 4 years	46%	54%	34%	30%
5 years +	43%	28%	57%	60%

## What happened to the baby boomer retirement 'tsunami'?

Previous research from a variety of sources has commented on the anticipated 'tsunami' of family firm transitions, primarily due to the age profile of incumbent-generation owners and managers. Such predictions have been prevalent since the mid 2000s as 'baby boomer' owners [i.e. those born between 1946 and 1964] approached 65 years of age. But the boomers defied predictions and have largely declined to take the step back that many had expected.

Remember that the age of 65 was first linked to retirement when the age pension was introduced early in the 20th century. Today, people are living over 20 years longer, and the concept of 'retirement' has taken on a completely new meaning. Incumbent owners and managers have proven to be much more likely to carry on past the expected time of retirement.

There is also strong evidence that the global financial crisis (late 2000s) has contributed to the delay in many of the expected transitions, as the value of owners' businesses and investments were impacted to an extent that required them to hold on to their business ownership longer than anticipated.

Our research shows that an even number of incumbent owners and managers do not plan to transition within the next five years, so hopeful next gens should plan accordingly.

## Not everyone planning to transition management knows who the successor is

52%

1 in 2

of those planning to transition have someone in mind

73%

believe the potential successor is prepared/ready to take over

Of those who plan to transition management in the next 12 months, 35% have not yet identified a successor. In our experience, those who plan to transition in such a short time frame should ideally have identified one or more potential successors well before the immediate 12 month period prior to the transition. Ideally, we recommend at least three to five years prior in order to properly determine the most suitable candidate and to allow time for preparation and education of the proposed successor. Appointment of suitable mentors/coaches during this period can greatly enhance the development of the proposed successor.

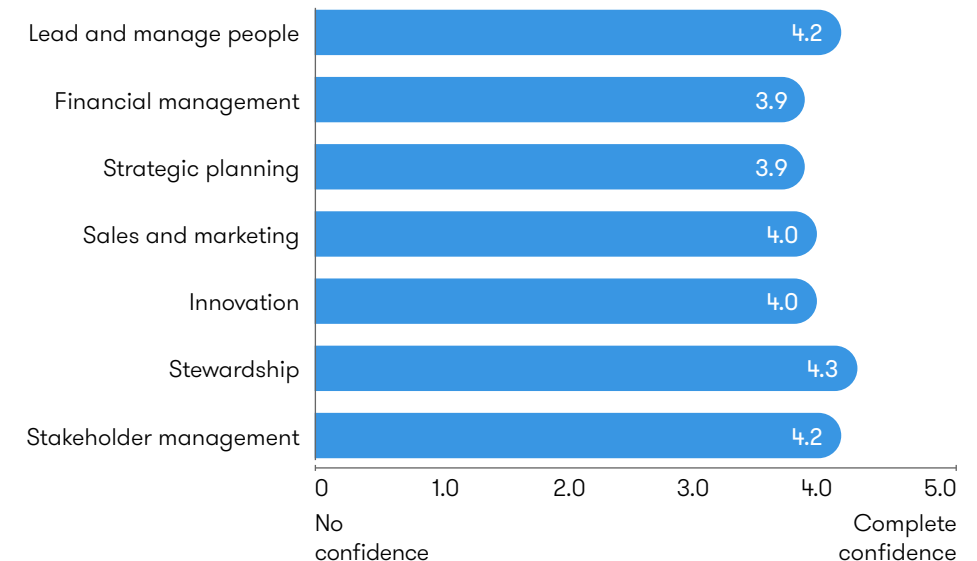
Where a potential leadership successor has been identified, approximately one-quarter (27%) are considered by existing leadership to be not yet ready to take over. Family firms in this situation should look to invest in appropriate professional development, coaching and mentoring of the successor to ensure they are ready when the time comes.

## Confidence in successors is high

Where a successor has been identified, overall confidence in the abilities of the successor is high, with respondents being most confident with regard to the successor's ability to lead and manage people, manage stewardship expectations and manage stakeholders.

We note these are primarily people management or soft skills, and there is clear room to improve in terms of financial management and strategic planning skills.

### Confidence in successor







# TAKING THE LONG ROAD



[Read the full interview](#)

## Hammons Holdings

 BLUE MOUNTAINS, NSW, AUSTRALIA

Philip Hammon, Director of Hammons Holdings – the long-term owner/operator of Scenic World Blue Mountains, and the Hammon family also holds the concession to operate Sydney Harbour Bridge Climb – talks about planning now to provide opportunities for future generations.

*We've had plenty of knocks on the door from potential purchasers, but we'd like to think that our children's children will have the same opportunities we've had. This takes effort and planning.*

*Our first Family Council was formed in 2006 and our Hammon Family Constitution followed shortly thereafter. Creating our Family Constitution allowed the family to agree on policies relating to the business, at a time when the business was performing strongly. We could also decide on how our family values should be reflected in our operations, so if business conditions changed we knew we could stay strong together.*

*It's a multigenerational affair – our five third-generation adult children are on the Council, and the fourth generation are also becoming more involved – it's about creating a learning pathway about the business and its origins. We also have regular Family Forums so we can share information with the wider family. Everyone is involved and transparency is important.*

*I retired as CEO in 2011 – by this time I was ready and willing to take a few steps away and to give my children, David and Anthea, the same opportunity I'd been given. Of course, in the lead up to this was when we realised how much of our personal wealth was tied to the business and its assets. So exiting the business wasn't done quickly. We had a transition plan over several years, including the creation of a separate investment fund to support my wife and I, apart from the business.*

*Initially we probably believed that the business would just carry on how it always has, but our advisers were quite persistent in helping us to understand the importance of a transition plan. Given recent events, we're very glad we listened to them.*

## To sell or not to sell, that is the question

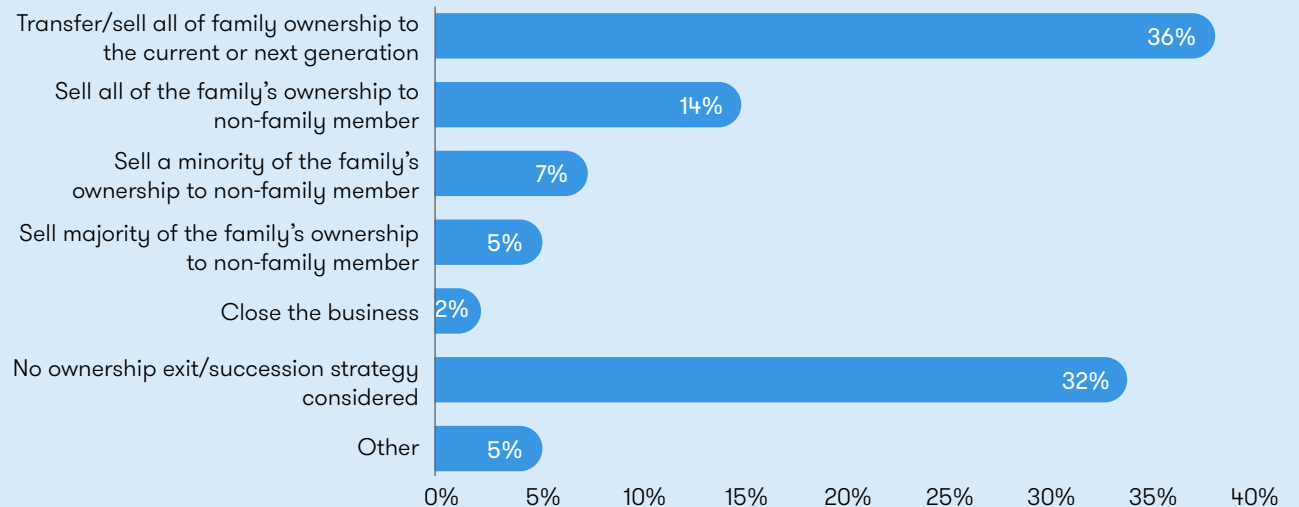
**32%** **1 in 3** have not considered ownership change

**36%** that have considered ownership change intend to transfer/sell to family

**26%** intend to sell to non-family parties

Transferring ownership can happen in many different ways, and we have seen a wide range of options being entertained by survey respondents. Of the almost two-thirds (62%) who have plans to transfer ownership, 50% plan to transfer all ownership, while only 12% plan to retain partial ownership, signifying an intention for most incumbent family owners to effect a 'clean break' from an ownership perspective.

### Ownership transfer options





## Most businesses do not have an agreed plan in place when it comes to succession

34%

1 in 3

of businesses with a documented plan of succession have agreed estate plans that cover how ownership will be dealt with

8%

Less than 1 in 10

have a retirement plan for the CEO/MD

87%

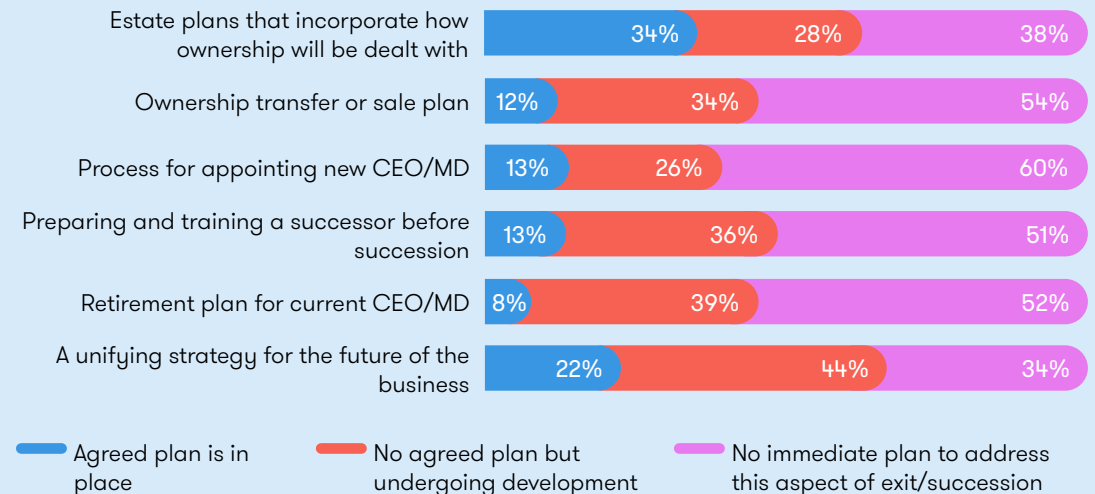
Almost 9 in 10

are yet to finalise a plan to prepare and train a successor before transition

While many respondents indicated that they were in the process of developing succession plans, most had no documented and agreed plans. The most acute absence of documented plans were for retirement planning for current CEO/MD (only 8% agreed and documented), ownership transfer or sale plan (12%), plan for appointment of new CEO/MD (13%) and training/preparation of successor (13%).

We also observe that for many family firms that have succession plans 'in development', such plans can remain undocumented and lacking agreement for extended periods of time, sometimes years. Planning tends to stall when family groups encounter sensitive issues, for which there is no pre-agreed approach to resolve. Incomplete succession plans can also be a symptom of underlying disagreement within the family group or that the development process is not sufficiently structured to achieve an agreed outcome.

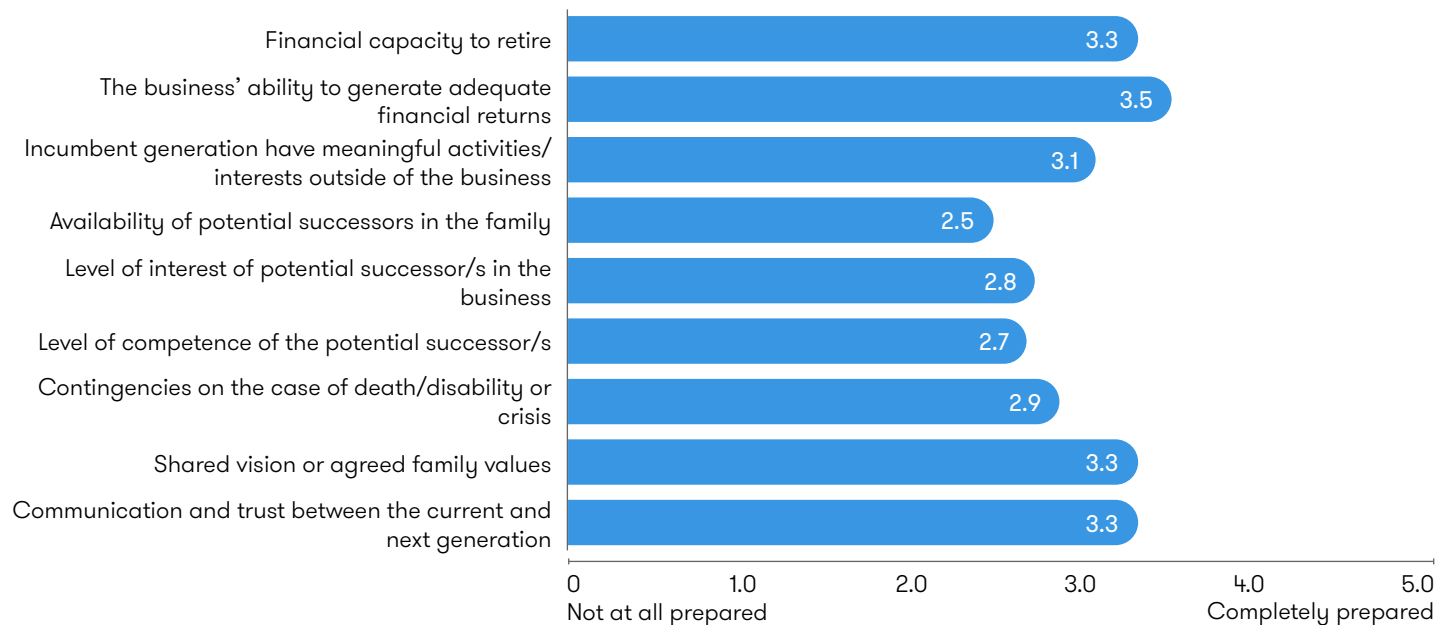
### Generation of owning family: all businesses



## Availability, competence and interest of potential successors are the main barriers to transition

While confidence in successors is high, it's a different story when asking about preparedness of the business. On average, businesses are only slightly prepared or moderately prepared for transition. The highest levels of preparedness relate to financial capacity of the business to support transition; shared vision, family values, communication and trust between the generations also rated highly.

The availability of potential successors in the family ranked last in terms of preparedness, while there was significantly more confidence in the business' ability to generate adequate financial returns.







# ‘TRANSITION-READINESS’ CONNECTED TO BETTER FINANCIAL PERFORMANCE

We have observed that for many family firms, passing ownership and control to the next generation is the ‘holy grail’ and is the preferred succession plan. These family owners typically regard themselves as stewards of the family business, responsible for protecting and growing the business for the ultimate benefit of generations to come. Unfortunately, we have also observed that many family businesses do not prepare well (or in some cases, at all) for the inevitable challenges, speed bumps and barriers to success that must be navigated to achieve a successful transition.

Many of these factors relate not to economic factors or management expertise, but rather to issues impacting the ‘family’ side, such as how effectively a family makes decisions; how well prepared the incumbents are for a life away from the business; whether they are able to retain sufficient engagement and motivation of the next gen; or how well they communicate and share information with all relevant stakeholders.

In short, some family businesses are more ‘transition-ready’ than others.

Our survey data allows some important questions to be asked relating to generational transition. The research suggests that ‘transition-ready’ family businesses possess some inherent characteristics that other family businesses may not.

## How do we define ‘transition-ready’? Introducing the FREEDOM Framework, and FREEDOM Index

In working with many family businesses in becoming ‘transition-ready’ Grant Thornton Australia has developed a tried-and-tested framework for assessing the preparedness of family businesses to successfully achieve generational transition, from the incumbents to the next (rising) generation. This FREEDOM framework is built around the seven key challenges that we most often see as barriers to successful generational transition.

**Financial security:** Have the current owners accumulated sufficient wealth outside of the business or will a transfer generate sufficient funds to properly redress the situation in an appropriate timeframe?

**Refocus of life plan:** Do the current owners have meaningful activities outside of the business that will sustain them as they scale back their involvement?

**Electing a successor:** Are the current owners able to choose a successor from the available candidates; and is the candidate willing to accept?

**Education and support:** Does the next generation have the relevant qualifications and experience, and access to personal development, coaching and mentoring resources to guide them through transition?

**Disasters & unplanned events:** Is there a plan that considers contingencies in the case of death, disability or other crisis events?

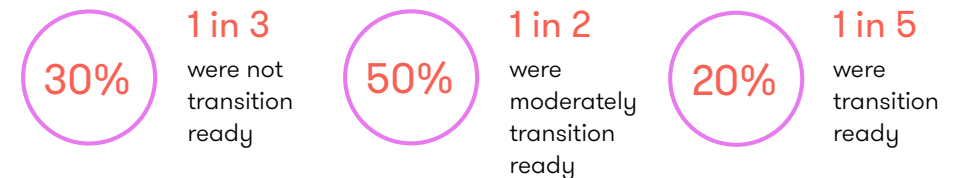
**Objectives alignment:** Do the current and next generations have a shared vision and agreed family values in respect of the family business?

**Managing communication:** Is there appropriate communication and trust between the current and next generations, enabling effective decisions and the sharing of information?

### The FREEDOM Index – a measure of transition readiness

The survey asked respondents to indicate the degree (ranging from ‘Completely prepared’ to ‘Not at all prepared’) of the family’s preparedness for these succession issues, which were based on Grant Thornton Australia’s FREEDOM Framework. Based on their responses to these succession-related questions, each respondent was given a FREEDOM Index rating of between 1 and 5 based on the average score over these questions, with a score of 1 representing ‘Not at all prepared’ and a score of 5 representing ‘Completely prepared’.

Based on this measure, we found that the average FREEDOM Index for all respondents was 3.05.

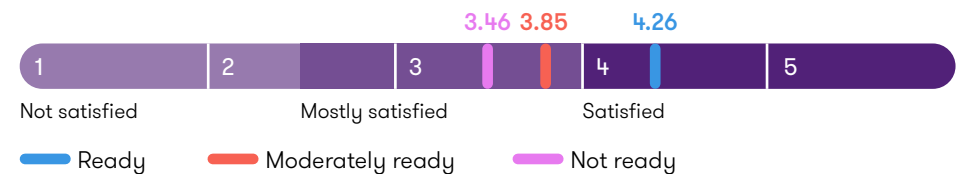


## Satisfaction with achievements increases with transition readiness

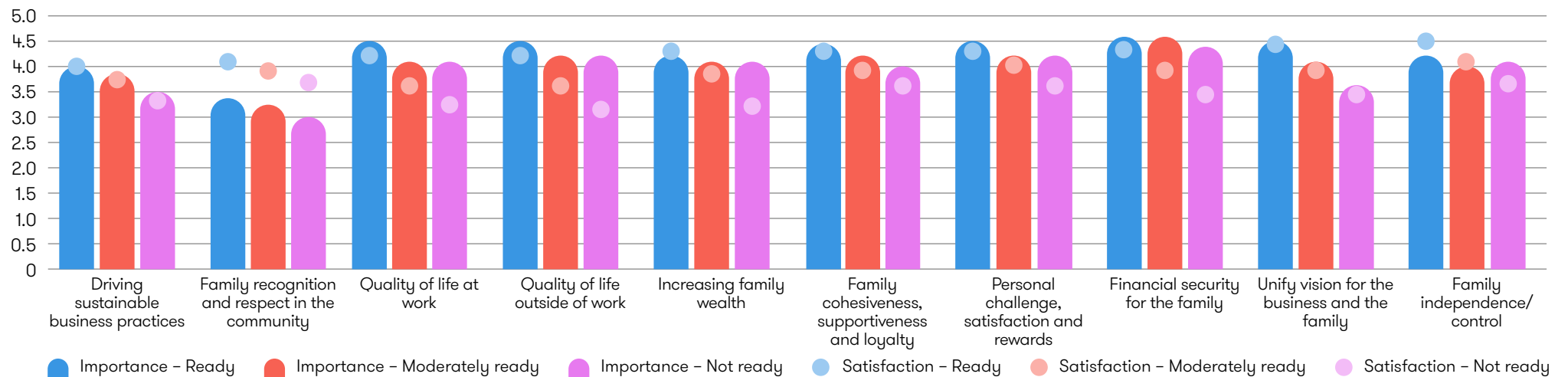
One of the main drivers for entering – or staying within – a family business is the opportunity for independence and personal challenge. Finding balance and satisfaction, particularly from the outset, can be tricky. We asked family business leaders to tell us what attributes were most important to them and their business, as well as their satisfaction with each of these.

Our survey suggests that transition-ready firms placed greater importance on personal and family-related issues than those firms that are not ready, and importantly, were consistently more satisfied with their achievements.

### Satisfaction with achievements



### Importance and satisfaction





## Transition-ready family firms performed better during COVID-19

Interesting for those in the family business community pushing for better and earlier succession planning, 3 out of 5 (58%) transition-ready businesses were more likely to report an increase in revenue in the previous 12 months to April 2021 compared to the 1 in 2 (50%) moderately transition-ready businesses and 2 in 5 (42%) non transition-ready businesses.

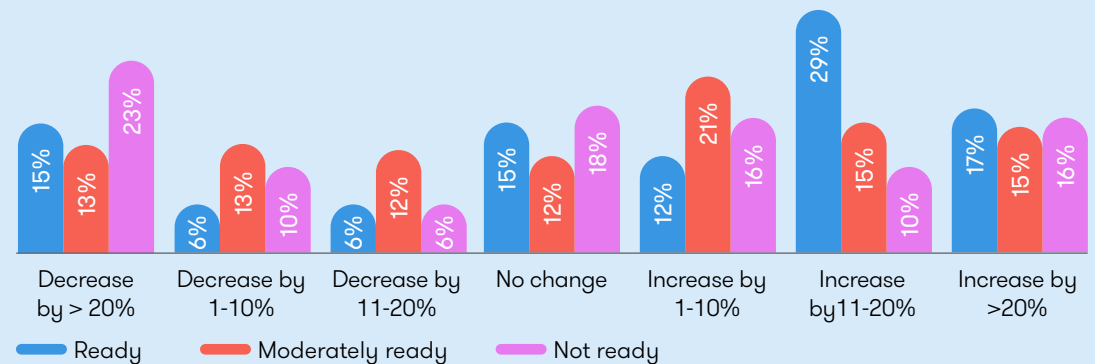
We also see the strength of past performance reflected in future forecasts. Overall, nearly nine out of ten businesses forecast an increase in revenue in the next 12 months, with transition-ready firms reporting they are likely to retain, if not build on the gains built over the previous 12 months.

Non transition-ready family businesses consistently made optimistic forecasts for the forward 12 months. After more likely reporting a drop in revenue in the previous 12 months, we believe this result demonstrates an expectation of gaining back losses incurred.

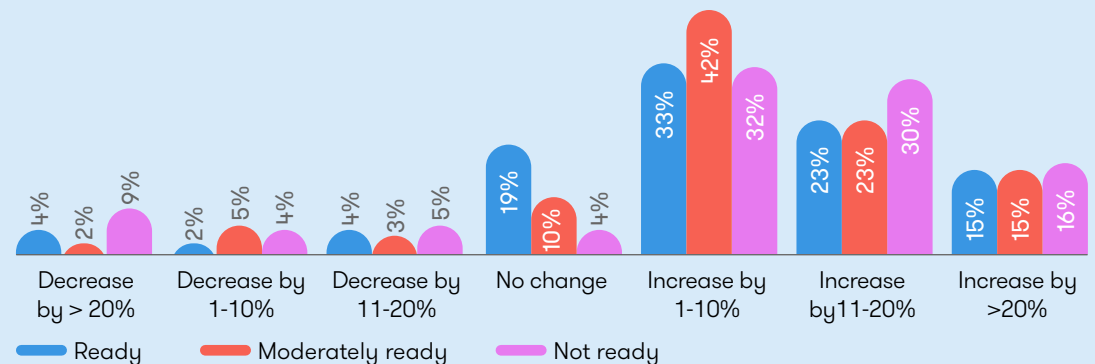
### 8 in 10

family businesses are forecasting a growth in revenue in the next 12 months

Revenue change in the last 12 months



Forecast revenue in the next 12 months



We also see this resilience clearly illustrated in employee numbers with 4 in 5 (84%) transition-ready businesses either retaining or increasing their headcount in the 12 months to April 2021, compared to 3 in 4 (74%) moderately transition-ready businesses and 7 in 10 (68%) non transition-ready businesses.

60% of businesses expected to increase employee numbers in the next 12 months. Once again, the relative strength of transition-ready businesses holds strong with 92% anticipating to retain or increase their employee numbers. Non transition-ready businesses also signal strongly a positive outlook with 89% looking to retain or increase their employee numbers.

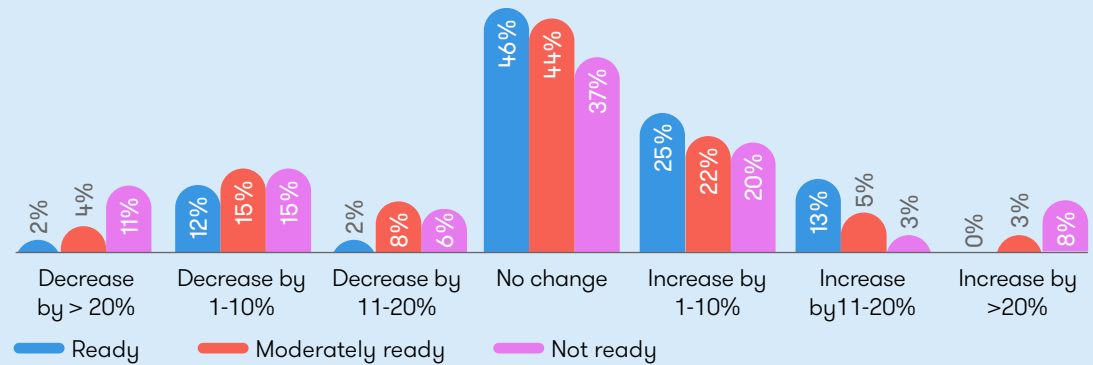
### > 9 in 10

transition-ready businesses plan to retain or increase their headcount in the next 12 months

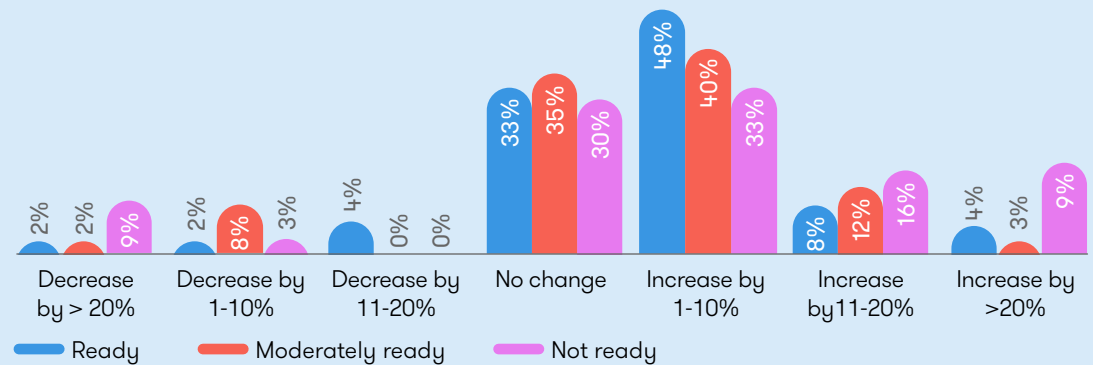
### 9 in 10

non transition-ready businesses plan to retain or increase their headcount in the next 12 months

### Employee numbers change in the last 12 months



### Forecast employee numbers in the next 12 months





# CULTURE, PHONE CALLS AND 'DOING THE RIGHT THING'

## Raine & Horne

 NATIONAL, AUSTRALIA


Angus Raine, Executive Chairman of Raine & Horne, talks about how culture helped the real estate franchise group navigate the last 18 months of upheaval.

*Doing business ethically is a value we've always lived by. You could say it is honesty or integrity, and treating everyone equally, but we just think of it as 'doing the right thing'. This was something my father Max (who started the franchise business model in the 1970s) always ran the business by and we do our best to carry it on. I actually found an old picture of dad and had it enlarged and framed for our head office, so he watches over us Mona Lisa-style making sure we don't stop 'doing the right thing'!*

*Lockdowns have been hard for everybody, although like a lot of businesses we are now quite used to holding Zoom meetings. Generally everybody keeps their cameras on, which we think is a good sign! Last week (week three of the extended Sydney lockdown) when we were all working from home, we sent everybody a care hamper of Australian products as a thank you and also just to let them know we were thinking of them.*

*We also have to remind ourselves that it's not a one-size-fits-all approach, some states might be in lockdown but others aren't and the people needs will be different. A large part of our network has not been affected by COVID at all and we need to remember that.*

*We also really encourage people to speak to each other on the phone or online, rather than just send emails. Or at least call each other before sending an email cold. We're also really conscious of situations where people are living alone and lack their own support networks. People like myself are fortunate that we have people to go home to, but not everybody has that luxury.*

 [Read the full interview](#)



## Family businesses to invest in technology and talent attraction over the next 10 years

46%

**Almost 1 in 2**

non transition-ready businesses are most concerned about changing consumer behaviour

42%

**2 in 5**

transition-ready businesses see the retention of key skills as the biggest risk

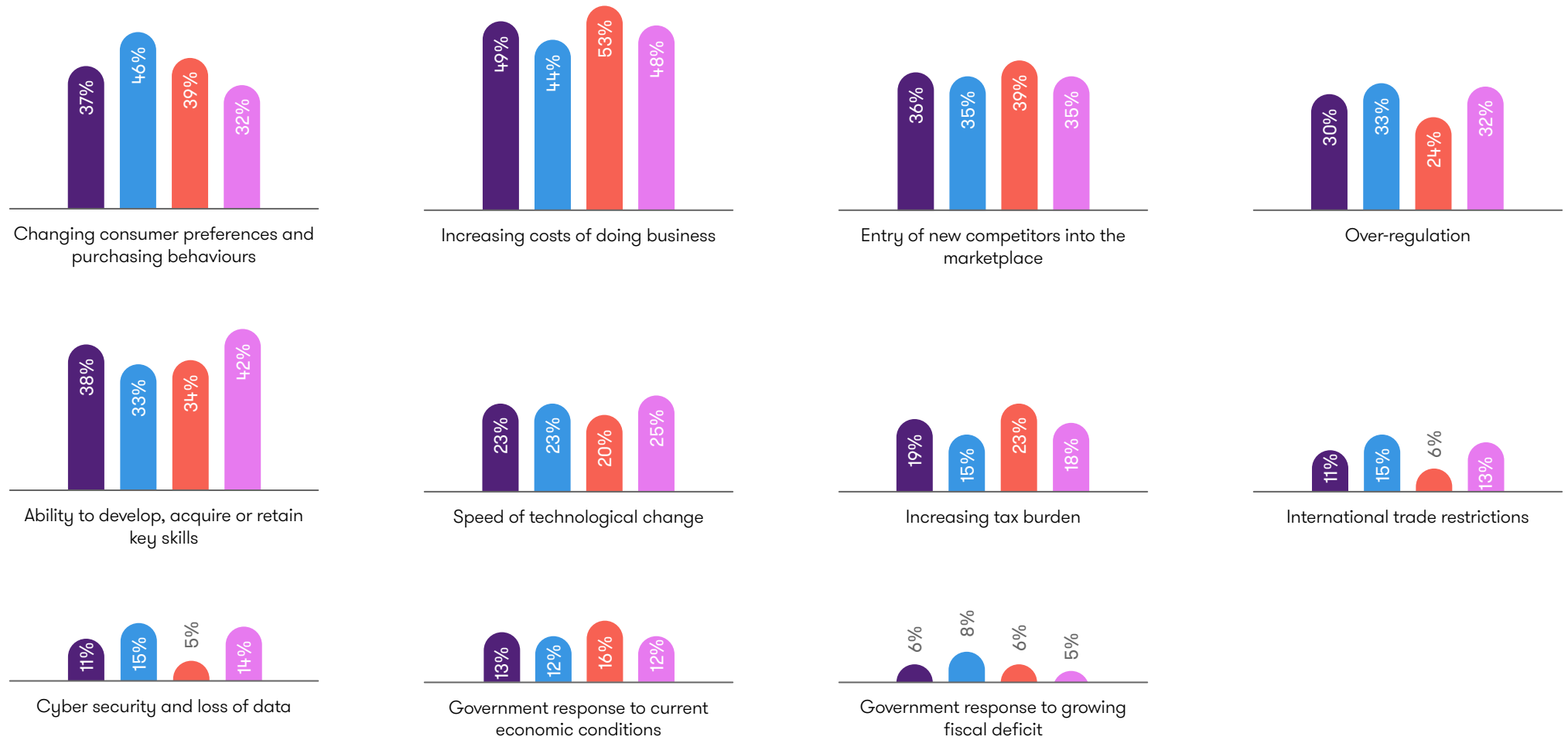
The sense of optimism that family businesses have for the next 12 months is reflected in their priorities for the next decade, with investments in technology, empathy and succession all on the horizon. However, there are also risks ahead, with almost half of all businesses concerned about the increasing costs of doing business. This is followed by the ability to develop, acquire and retain key skills at 39% and changing consumer preferences and purchasing behaviours at 37%.

Interestingly, non transition-ready businesses are significantly more concerned about changing consumer preferences than their peers. One way to navigate and respond to changing consumer trends is to invest in technology that help monitor and respond to new demands. We note though, that non transition-ready businesses lag behind their peers in terms of the importance placed on investment in technology over the coming decade. If you have a business that is beholden to the changeable whims of consumers, investing in technology and data analysis can certainly help to minimise that pain point.

Transition-ready businesses on the other hand, are significantly more concerned about the ability to develop, acquire and retain key skills than their peers. This suggests that transition-ready businesses may be more comfortable with their businesses fundamentals and processes – it is finding people to service their growth aspirations that is the larger pain point. This aligns with future investment plans for transition-ready businesses, with a particular focus on the people aspects of their business, including building empathy, recognising contributions from other family members and leveraging trust to build brand.

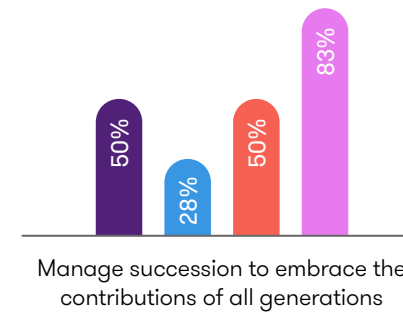
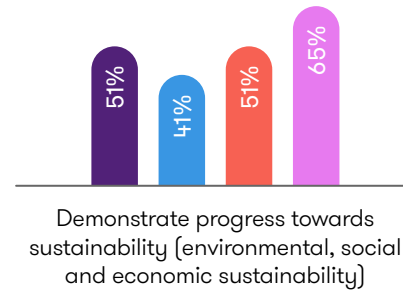
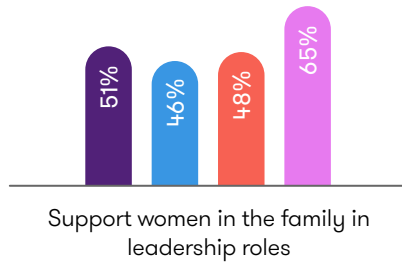
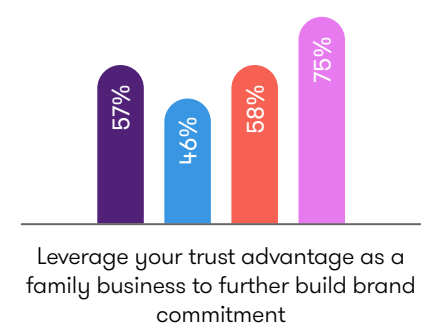
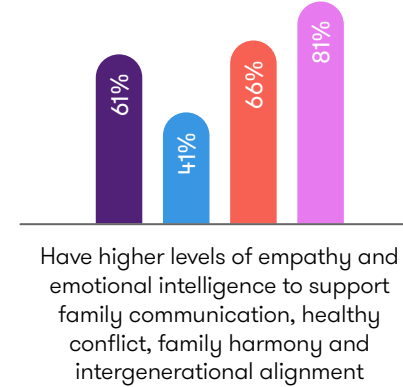
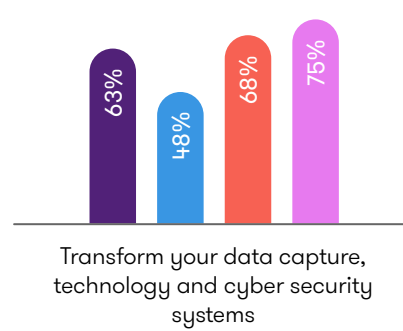
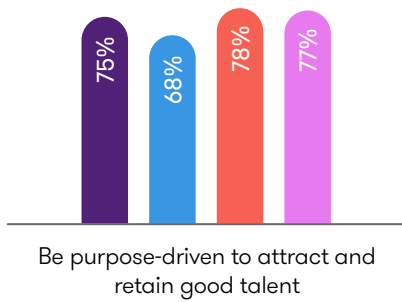
## Potential threats to business growth in the next 10 years

■ All businesses  
 ■ Transition ready  
 ■ Moderately transition ready  
 ■ Not transition ready



## Focus in the next 10 years - Importance

■ All businesses 
 ■ Transition ready 
 ■ Moderately transition ready 
 ■ Not transition ready





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EXTERIOR  
Most Popular Colours

Popular Exterior

# PUTTING PEOPLE FIRST

## Guthrie Bowron

📍 WELLINGTON, NEW ZEALAND

For Mark and Chris Rickard, owners of Guthrie Bowron – a home decorating business in Thorndon Quay, Wellington, people and teamwork have always made the dream work.

*Putting people first – both team members and customers alike – has been the foundation of our success. We've always strived to create a culture of collaboration, and a big part of that is being careful not to tell staff how to do their jobs and to give them enough freedom to be themselves and play to their strengths, so they can help each other and work as a team across the business.*

*We also encourage everyone to be solutions focussed, which is a win-win for our staff and customers. The service and advice the team provides gives them the satisfaction that they're making a difference, and our customers come away with a great experience, which is not what you would receive from some of our biggest competitors who are more commodities driven.*

*Taking a different approach to recruitment has also contributed to our culture. We ignore skillsets and employ people with the right level of interpersonal skills – attributes that can't simply be taught. The ability to talk to people, have empathy, and the right attitude are must-haves in our team.*

*And of course, the family element plays a crucial role in our company's values. Although our children have lives outside Guthrie Bowron, we've brought them along for the journey. They've had their own roles to play in the business, and like our in-store team, the family collaborates to come up with ways to do things better, particularly during the tougher times like a pandemic.*

# LACK OF INVESTMENT IN GOVERNANCE A RISK TO FAMILY AND BUSINESS

Strong governance and clearly defined procedures for how you run your business are as important for family-owned organisations as they are for publicly-listed companies.

Robust governance underpins and formalises how good decisions are made, and by who. It helps to manage the relationships between family members, stakeholders and management, as well as maintaining family harmony and business continuity.

Strong governance should be a comprehensive and collaborative process. You need to have a commitment to revise governance processes over time, so relevant documents can evolve as the business also grows, expands or diversifies, and through the key succession milestones of the business.

Governance of a family business involves recognition of two separate governance 'pillars': the Family pillar and the Business (or Enterprise) pillar. Each of these two pillars involves different governance mechanisms that represent acknowledged best practice.

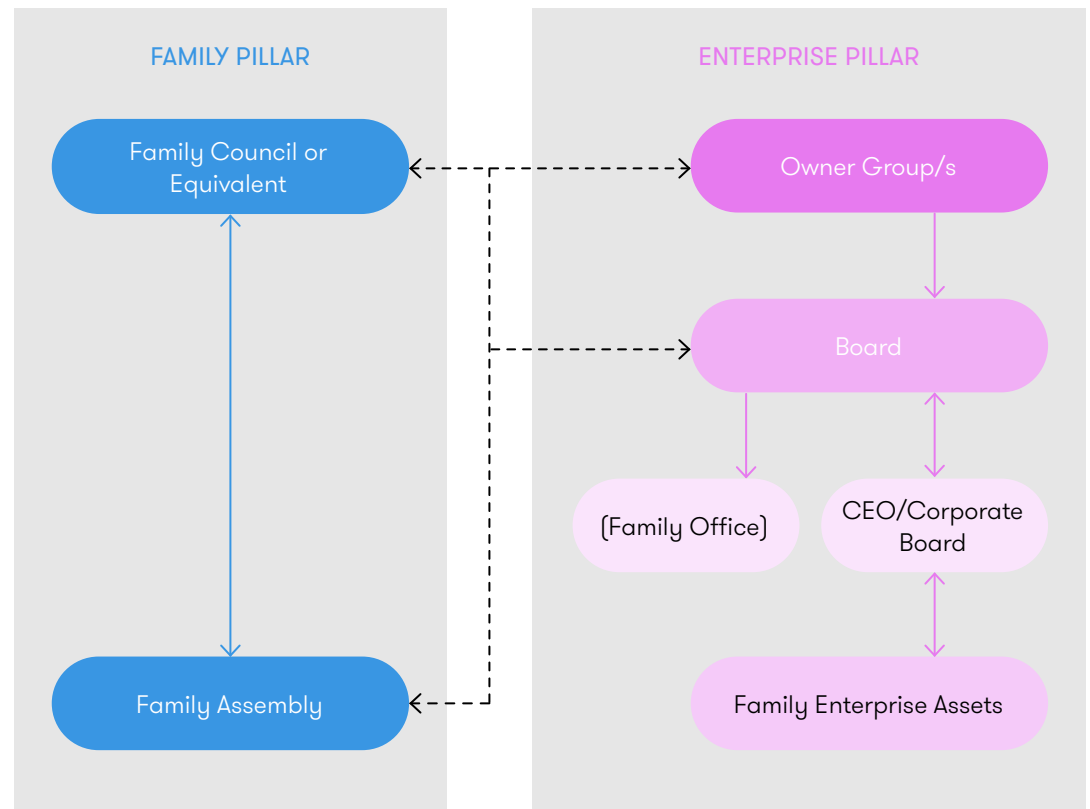
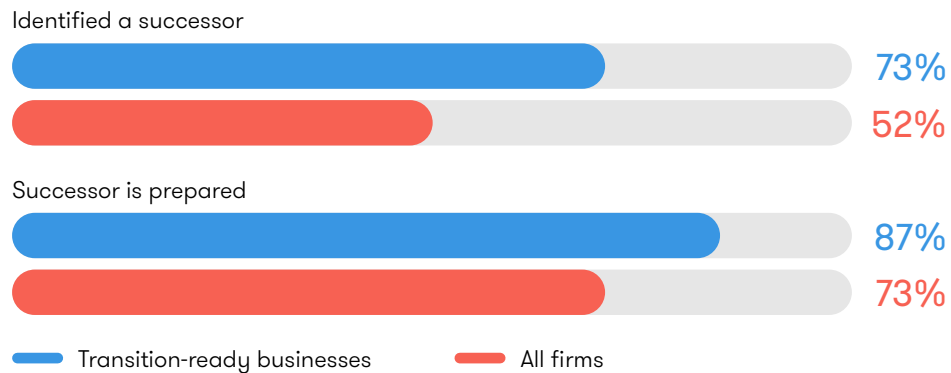


Illustration credited to: Jaffe D & Grubman J 'The Two Pillars of Governance in Family Enterprises: A straightforward understanding of complex systems' FFI Practitioner 26 August 2020

## Good governance is a hallmark of transition-ready businesses

Unsurprisingly, transition-ready businesses are more likely to have already identified a successor; and the successor is more likely to already be prepared to take over as CEO/MD.

What is far more interesting is the systems and governance processes transition-ready businesses have in place – and this is a key learning that all family businesses can use to bolster their own governance.



In comparing governance processes between those businesses considered Ready vs Not Ready, our survey suggests that transition-ready businesses were:

**50%**

more likely to have a documented strategic business plan

**>2x**

more likely to hold stakeholder meetings or forums

**>2x**

more likely to have a formal process for incorporating family values into formal planning processes

**>2x**

more likely to have a formal Board of Directors

**>2x**

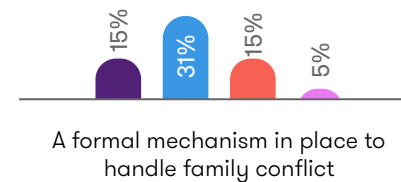
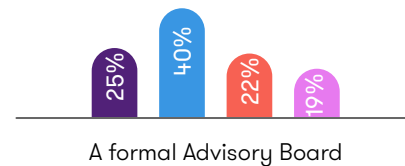
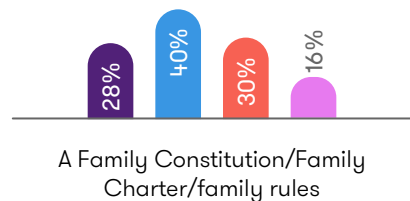
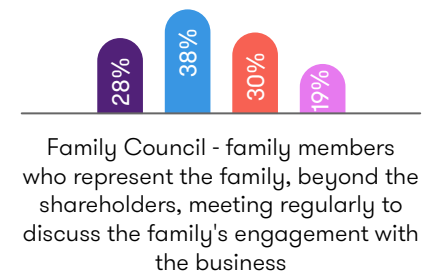
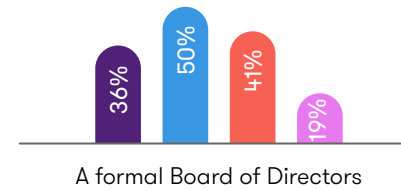
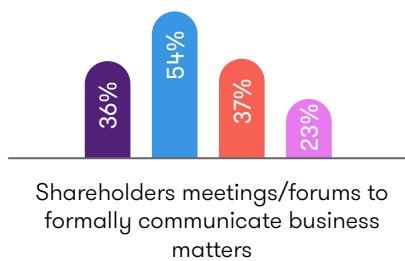
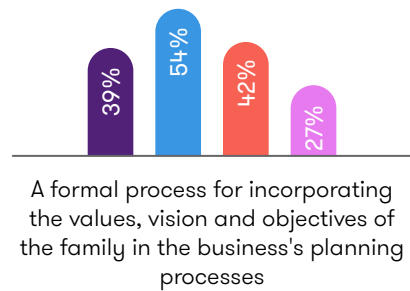
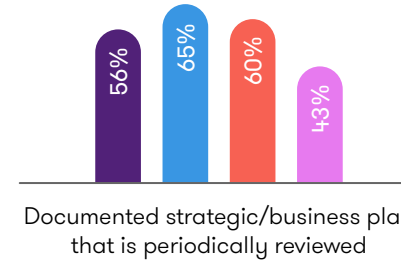
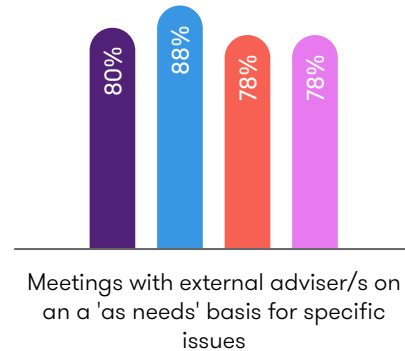
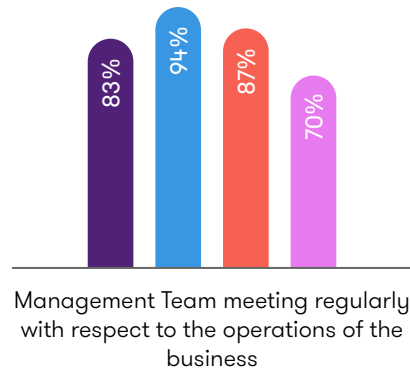
more likely to have a Family Constitution or Charter

**6x**

more likely to have a formal conflict-resolution mechanism

## Governance currently in place

■ All businesses 
 ■ Transition ready 
 ■ Moderately transition ready 
 ■ Not transition ready





### Family governance mechanisms in place - 2021

A formal mechanism in place to handle family conflict



A Family Constitution/Family Charter/family rules



Family Council – family members who represent the family, beyond the shareholders, meeting regularly to discuss the family’s engagement with the business



A formal process for incorporating the values, vision and objectives of the family in the business’s planning processes



### Family Councils & Charters aren’t as prevalent as they should be

Of concern is that only 15% of respondents had a formal conflict management mechanism. Conflict can be a destabilising force in family businesses in ways that are very different to the private sector – it’s not uncommon for this conflict to also impact relationships outside of the business setting. It was pleasing to note that 39% had a formal vision & values process; being able to articulate a family’s shared values can create a ‘north star’ to guide a family’s decision-making when the business landscape becomes unpredictable.

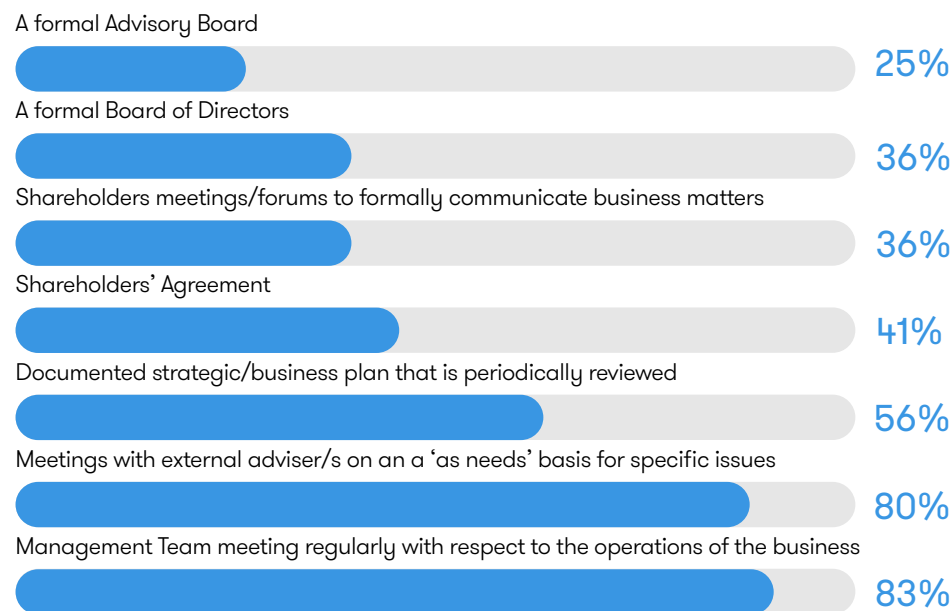
### A Family Charter – guidelines by which the family agree to abide

The value of a carefully considered Family Charter developed in consultation and consensus with all family members is immense. The idea of such a document is to develop ‘family lore’, spelling out the family’s values and its policies in relation to the business.

In most cases, a Family Charter is not ‘cast in stone’ as it is not a legally binding document. The intention is to set an agreed, ‘emotionally-binding’ framework that will remain with the family in the long-term: one that clarifies the legacy of past generations and the stewardship for future generations.

A particular benefit of the Family Charter process is that it provides the opportunity for a family group to consider and obtain consensus on sensitive matters that have the potential to create disharmony, in a facilitated ‘safe’ environment, and before any of the trigger events have occurred. This approach avoids the necessity of obtaining agreement in a time of family crisis.

### Business governance mechanisms in place – 2021



### Some business governance is becoming less formalised

Our survey suggests that some forms of business governance has become less formalised than previously recorded. Certainly the use of certain mechanisms, such as a formal Board of Directors or a documented strategic/business plan should be higher than currently reported. Family companies also continue to prefer to meet with advisers on an as-needed basis, rather than creating a formal Advisory Board. We note that transition-ready firms are more likely to have these measures in place than their peers.

### Advisory Boards – what are they, and why should you consider having one?

You know the business inside-out and can pick up a multitude of roles and responsibilities simultaneously. But there is a tipping point in most organisations' lifecycle where you can become too close to the business or too thinly spread. This situation can result in missed opportunities for growth and/or inappropriate governance procedures you must demonstrate to your regulators and lenders.

This is why many family-owned companies look to an Advisory Board to oversee how the business is tracking, to spot prospects for growth, to challenge current ways of working, to mitigate risk and provide clarity on governance obligations to grow efficiently and sustainably.

Many family company boards are typically comprised of the family only (which may include the founders and some next-generation family members), and may also include one or more trusted advisers. These boards sometimes lack the governance expertise or business acumen that the appointment of professional, non-executive directors (NEDs) could provide.

But companies in this position are not always ready to take that next step of hiring one or more NEDs. Creating an Advisory Board can be an important 'bridge' to such companies achieving the efficient management of risk and strategy that it needs, until such time as it is ready to appoint one or more NEDs.

# SOURCES OF CONFLICT ACROSS THE GENERATIONS

Working with family has its advantages – for instance, in creating a collaborative and culture-driven business, and retaining and sharing value. However, there are also disadvantages – intergenerational conflict is a unique aspect of operating a family business.

As part of our research, we explore the similarities and differences between the generations involved in family business. Our most recent research shows that sources of tension and conflict vary markedly with the generation of the business.

Top sources of conflict vs Generation of owning family	Founder/1st Gen	2nd Gen	3rd+ Gen
Balancing the needs of the family vs the needs of the business	1	2	4
Managing growth	2	6	5
Business survival	3	11	6
Future vision, goals and strategy of the business	4	3	3
Succession-related issues	5	4	1
Remuneration of family members	6	9	8
Family member communication style	7	1	2
Financial stress	8	12	9
Competence of family members working in the business	9	5	10
Decision-making approach	10	8	7
Family/non-family management communication style	11	10	11
Contribution of family members working in the business	12	7	12
Sibling rivalry	13	13	13

Balancing the needs of the family versus the needs of the business are main sources of conflict for first and second generation businesses. There are areas of tension and conflict that become more pronounced in multigenerational businesses, such as family member communication style and aligning future vision, goals and strategy of the business.


Succession-related issues are also the top source of conflict among third generation businesses and onwards. Interpersonal issues like sibling rivalry are of low importance regardless of the incumbent generation.

## The generations align with business maturity models

The sources of tension and conflict in first generation businesses are aligned with the tensions felt in any start-up business – survival, financial stress, setting strategy, and balancing work and family life.

The more generations a business transitions through, the more they have learnt from experience in relation to key elements of successful businesses – with survival, financial stress, and managing growth becoming much less significant causes of tension. This would be a similar experience for any business as it matures. As the number of family branches expands across the generations, factors such as family member communication style and succession planning come to the fore as key sources of conflict.

# MAKING ROOM FOR THE UNCOMFORTABLE QUESTIONS

 [Read the full interview](#)



## Complete Office Supplies

 SYDNEY, NSW, AUSTRALIA

Recently appointed as co-CEO with her sister Amie, Belinda Lyone of Complete Office Supplies, the largest 100% Australian privately-owned national office supplies company, spoke to us about their family's succession journey as her father Dominique stepped away from day-to-day involvement.

*For us our journey started when Amie joined FBA, then I also joined, and we started attending FBA events. We didn't really know or understand that a plan would be required, and that there are so many elements to getting ready for succession. So that FBA exposure is what began the conversation that these things need planning.*

*We needed a process that considered all the decisions that had to be made in order to successfully make the transition smooth for everybody – for the family, for the company and staff.*

*I think Dad was observing us in our roles in the business, and we were passing a series of tests over many years and he was watching two things: firstly 'are they capable', and secondly 'are they interested'. Capability-wise this just became more obvious over time, we got more and more experience, COS got bigger, and Amie and I got better and stronger.*

*Having a framework, a process and external advice was important. When it's time for a generational transition, we have to ask some pretty uncomfortable questions and say some really uncomfortable things and the framework gives that permission.*

*Involving our executive team was important. Once the transition plan became more 'official' they were asking some really interesting questions that we still had not thought of. The smallest of details, and huge things as well.*

*In creating a transition plan I think the most important thing is for everyone to realise that it is not a single conversation, it is many conversations, and you to have create the space where you just talk about the transition plan, and it has to be 'we are here every Wednesday, or we are here once a month' and make it a regular ongoing discussion.*



# GENDER NOT A FACTOR IN PRIORITIES OR SATISFACTION

As we know, the pandemic has had a detrimental impact on women's participation in the workforce. Lockdowns and home schooling has disproportionately impacted women who have ramped up care giving responsibilities, often at the expense of work. The roles most likely to have been made redundant or had hours cut were part-time or casual roles – with women making up a significant proportion of those people. In fact, the Grattan Institute highlighted in their report 'Women's work: the impact of the COVID crisis on Australian women' that at the peak of the COVID lockdowns in April 2020, almost 8% of women had lost their jobs and women's total hours were down 12%. The corresponding figures for men were 4% and 7%.

While the nature of family businesses affords additional security for both women and men to transition in and out of the business as required, we were interested to see if the pandemic had an impact on how female and male family business leaders were responding now and into the future.

## Importance vs Satisfaction

Is there a difference between aspects of work and life that women and men place importance on, and their level of satisfaction with their achievements in those areas?

	Women		Men	
	Importance	Satisfaction	Importance	Satisfaction
Personal challenge, satisfaction and rewards	4.3	4.0	4.2	4.0
Unifying vision for the business and the family	4.2	3.9	4.0	3.9
Increasing family wealth	4.0	3.7	4.1	3.8
Quality of life at work	4.3	3.6	4.2	3.7
Quality of life outside of work	4.3	3.6	4.2	3.6
Financial security for the family	4.5	3.7	4.5	3.9
Family independence/control	4.1	3.8	4.1	4.1
Family cohesiveness, supportiveness and loyalty	4.2	3.9	4.2	3.9
Family name recognition and respect in the community	3.2	3.9	3.3	3.8
Driving sustainable business practices	3.9	3.7	3.7	3.7

Financial security for the family is of primary – and equal – importance to both women and men (4.5). Women are slightly less satisfied (3.7) with their achievement on this factor than men (3.9).

Whilst both women and men rated all factors of similar importance, overall women are slightly less satisfied than men on a few factors, and particularly in relation to satisfaction with the family's level of financial security, and the level of family independence and control.

For both groups, quality of life both inside and outside of work are amongst their highest priorities, but lowest levels of satisfaction. This highlights that these are areas where all family businesses need to focus their attention to build the quality of life they seek.

The humble nature of family businesses is highlighted in that both men and women rated recognition of the family's name and respect received from the community as their least important. Yet it is on this factor that both groups believe they excel.



### Sources of conflict

What areas do female and male leaders identify as their greatest sources of conflict?

	Women		Men	
	Rank	%	Rank	%
Balancing the needs of the family vs the needs of the business	1	34%	1	30%
Succession-related issues	2	31%	4	21%
Future vision, goals and strategy of the business	3	25%	2	26%
Family member communication style	4	23%	3	24%
Competence of family members working in the business	5	22%	10	12%
Managing growth	6	21%	5	19%
Family/non-family management communication style	7	17%	12	10%
Business survival	8	16%	6	17%
Contribution of family members working in the business	9	16%	11	11%
Financial stress	10	12%	9	14%
Remuneration of family members	11	10%	7	17%
Sibling rivalry	12	9%	13	4%
Decision-making approach	13	8%	8	16%
None		13%		19%

The top sources of conflict are similar across women and men. Comparing the two genders, higher proportion of women identified competency of family members and communication style as sources of conflict, for men it was around remuneration and decision-making approach. Men are also more likely to note that they experienced little or no tension/conflict. It appears that women are more attuned to tension and conflict than men.

Women substantially outweighed men in their reporting of conflict across succession-related issues, competence of family members working in the business and family/non-family management communication style.

## Business objectives

What are the key business objectives for female and male family business leaders?

	Women		Men	
Be purpose-driven to attract and retain good talent	1	3.9	1	3.9
Have higher levels of empathy and emotional intelligence to support family communication, healthy conflict, family harmony and intergenerational alignment	2	3.8	3	3.6
Transform your data capture, technology and cyber security systems	3	3.7	2	3.7
Support women in the family in leadership roles	4	3.6	6	3.2
Leverage your trust advantage as a family business to further build brand commitment	4	3.6	4	3.5
Demonstrate progress towards sustainability (environment, social and economic sustainability)	6	3.5	5	3.4
Manage succession to embrace the contributions of all generations	7	3.4	6	3.2
Develop closer trading relationships and knowledge of Asian markets	8	2.1	8	2.4

Women and men are very much aligned on key business issues of:

- being purpose driven to attract and retain good talent
- transforming data capture, technology and cyber security systems
- leveraging their trust advantage as a family business to further build brand commitment
- managing succession to embrace the contributions of all generations.



### The trust advantage

We have explored many of these issues in earlier sections of the report, however, an interesting and often overlooked business objective is the leveraging of the family business trust advantage.

With misinformation, disinformation and confused messaging from political leaders, trust is at a premium in the marketplace. Family businesses are at a particular advantage here as the perceived intersection of family values and business objectives lends itself to purchasing decisions consumers can feel good about. Research backs this up – consumers prefer products and services from family-owned businesses.

The 2019 Edelman Trust Barometer, a decades long piece of research tracking trust around the world, had particularly interesting insight around trust in family business compared to business in general. In Australia, 52% of people trust businesses, while this increases a huge 23 points to 75% for trust in family businesses. The gap between trust in businesses and family businesses is even larger in other countries like the US (78% trust in family businesses), the UK (72% trust in family business) and Ireland (74% trust in business).

However, consumers can only feel good about buying from family businesses if they know which businesses these are. Despite ‘recognition’ ranking quite low in importance for family business leaders, we’re hoping the emphasis on trust will lead to a greater uptake of the family owned business emblem. Visual cues work – the Australian Made logo – used by more than 3,000 businesses – is recognised by 99% of Australians and trusted by 88% according to a Roy Morgan study in 2020. Emphasising businesses origins can be both good for the consumer and for the business.

This is one of the key reasons why using the ‘A family owned Australian business’ emblem or ‘A family owned New Zealand business’ emblem is an important signal to your customers that they can trust your product or service.



## Top threats

What are the perceived top threats for female and male family business leaders?

	Women		Men	
	Rank	%	Rank	%
Ability to develop, acquire or retain key skills	1	48%	1	51%
Increasing costs of doing business	2	45%	2	39%
Changing consumer preferences and purchasing behaviours	3	34%	3	38%
Entry of new competitors into the marketplace	4	32%	4	35%
Increasing tax burden	5	26%	5	34%
Speed of technological change	6	18%	7	16%
Over-regulation	7	18%	6	25%
International trade restrictions	8	14%	8	14%
Government response to current economic conditions	9	13%	9	13%
Government response to growing fiscal deficit	10	8%	11	5%
Cyber security and loss of data	11	8%	10	10%

We saw alignment on most factors posing potential threats to the business. In fact, there was close alignment on most issues between female and male leaders, suggesting that pressures of lockdown, home schooling and caring responsibilities has not skewed business priorities or assessment of future opportunities.

The data we found most interesting was that family business leaders are less concerned about cyber security and loss of data. This may be a function of the kind of businesses they operate, however, considering the strong push from both State and Federal Governments for businesses to be active online and for Australia to become a leading digital economy – being cyber-aware and protecting business assets and data will become increasingly complex and risky.







## Conclusion

We are delighted that so many family business leaders have taken the time to complete this survey. It has given us a unique insight into how family businesses have fared over the last 18 months and their prospects for the future. Generally speaking – family businesses are optimistic. However, if we look more closely, we see that the family firms with strong governance in place and that are ‘transition-ready’ far outperformed their peers in terms of resilience in the past, prospects for the future, and overall satisfaction with their achievements.

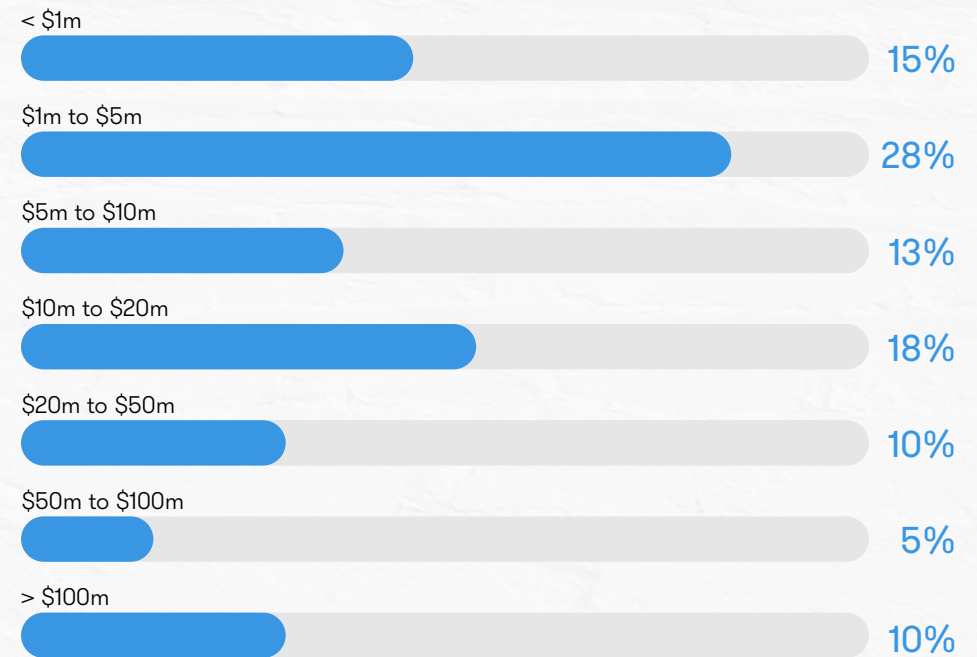
Further, a particularly disappointing insight was the prevalence of formal business governance – including the use of board members and the documentation of business strategy. Yet, the data we present today clearly articulates a strong correlation between business performance and governance.

The call to action for all family businesses, particularly in these uncertain times, is to invest in good governance. Seek outside advice, install processes to bring the family together, and even if you are not prepared to transition out of your business in the short term, it pays to prepare your future successor well in advance. It all comes down to building a healthier and more resilient business with the best chance of being handed down successfully to the next generation.

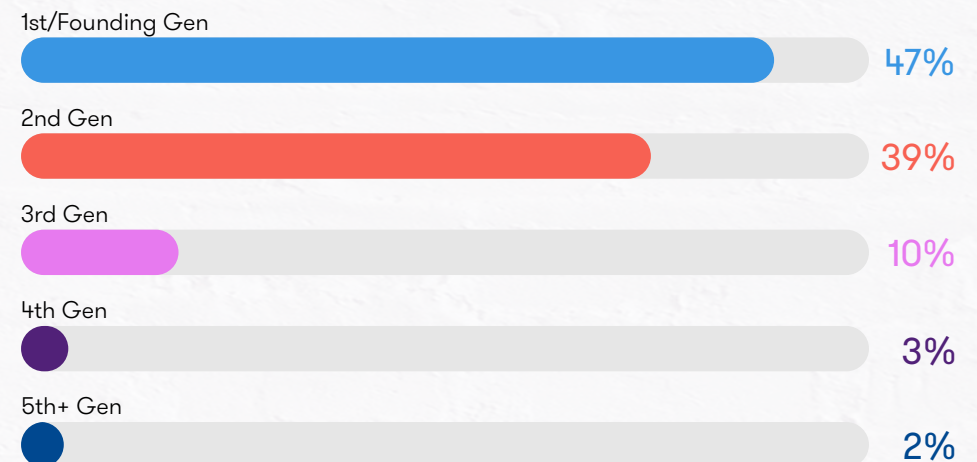
## About the survey

In February 2021, the Family Business Survey 2021 was sent to 1,500 family businesses from the databases of Grant Thornton in Australia and New Zealand, as well as FBA and FBNZ. This 40-question online survey took approximately 10 to 15 minutes to complete, and at the end of the survey period we received 261 responses in total. In the survey we ask family businesses about their company structure, demographics, how they operate and our key themes – succession and resilience. The most senior decision-makers that participated were predominantly family members (95%). 49% were from first generation businesses, 39% from second generation businesses and the rest are from third generation onwards. 71% percent were males. Median age of respondents were between 55 and 64 years. On average, they had been in their senior role for 14 years. The average age of businesses was 41 years. Respondents were also given the opportunity to receive a comparison report and were also asked if they would be interested in a follow up interview, which resulted in the case studies in this report.

### Revenue profile: all businesses



### Generation of owning family: all businesses





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We combine service breadth, depth of expertise and industry insight with an approachable 'client first' mindset and a broad commercial perspective. Grant Thornton has been a National Gold Partner of FBANZ since 2020, both in Australia and New Zealand. We were pleased to be given the opportunity to partner with FBANZ in conducting the 2021 survey.

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## Family Business Australia and New Zealand

Family Business Australia and Family Business New Zealand (FBANZ) are the peak bodies for family businesses in Australia and New Zealand. FBANZ works strategically with all family business stakeholders to lead the delivery of unique and innovative services, creating professional pathways and connecting the family business community. FBANZ provides access to specialist family, business and technical services, generating opportunities for families in business to learn and grow by networking and sharing with their peers.

FBANZ serves over 3,200 members, made up of family business owners and operators and, professionals who advise family businesses.

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