

## 2019 PwC Irish Family Business Survey

### The values effect

#### How to build a lasting competitive advantage through your values and purpose in a digital age

*“We believe family businesses – built around strong values and with an aspirational purpose – have a competitive advantage in disruptive times. There is an enormous opportunity for family businesses to start generating real gains from their values and purpose by adopting an active approach that turns these into their most valuable asset.”*

We recently presented our [2019 Irish Family Business Report](#) following a survey of over 100 Irish family businesses conducted in late 2018. The research is part of PwC’s latest Global Family Business Survey of almost 3,000 firms in 53 territories, our largest and most comprehensive survey to date. The research was first conducted by PwC Ireland in 2002, and was subsequently developed into a PwC global initiative.

This year the theme of the research is about ***harnessing values to drive purpose and build lasting legacies***. While this theme has never been more relevant, it is also a logical progression from our last survey in 2016 when we examined the need for greater focus on medium term strategic planning to enable more family businesses to achieve their objectives over the longer term.



[The current study](#) reveals that the Irish family business sector is in good shape, with the majority of family firms ambitious for the future. 86% of Irish survey respondents anticipate expanding their businesses over the next two years and is consistent with their global counterparts. However, uniquely in Ireland, the potential impact of Brexit looms large as a challenge for the sector.

Over half of respondents identified the fall-out from Brexit as a key challenge compared to only 20% in other EU countries. Since the survey was conducted, a key disruption continues to be Brexit, which is, and will be, an increasing concern as developments unfold in the UK.

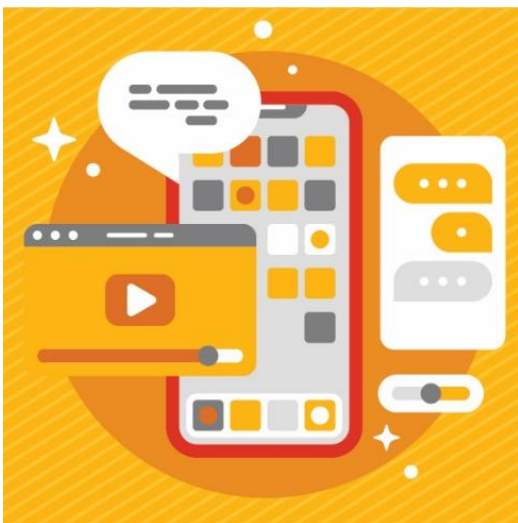
84% of Irish family business leaders scored **attracting and retaining key talent** and **improving profitability** as very important in the next two years and represents a considerable shift upwards from 2016 levels. In addition, being more innovative also scored much higher than 2016. This essentially confirms the emergence from a long lasting recession with the confidence to adopt a more expansionary approach.

Significantly, the sense of vulnerability to **digital disruption** is felt more strongly by Irish companies (40%) compared to the global figure (30%) and this is an area which will require greater focus in the immediate term.



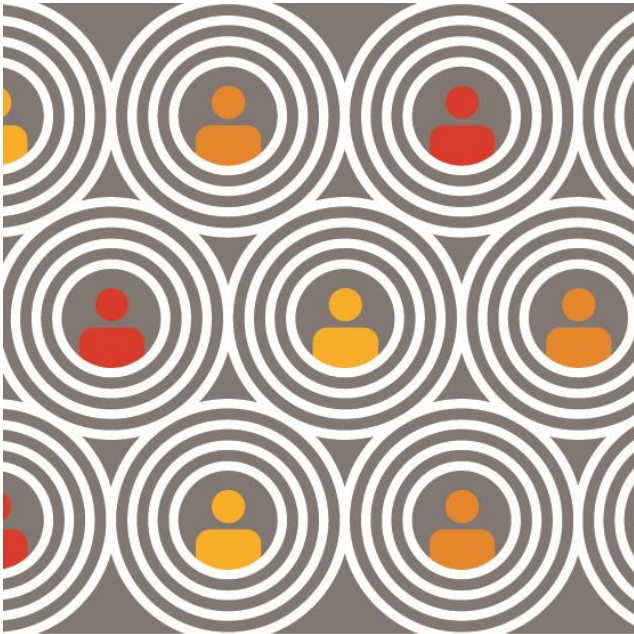
The **7 key takeaways** for Irish family businesses, based on the research findings are:

1. Agree family **'values'** for better business: Living their values needs to be consistent and real. The study highlights that family businesses with a clear sense of values and purpose will have increased revenue and profitability. More work needs to be done to articulate these in writing though.
2. Document **'purpose'** for long-term success. Just 60% of Irish family businesses have a documented vision and purpose statement compared to 68% globally. In our experience, the family without a common purpose will not flourish to the same extent.
3. Have **a strategy for growth**: It pays to plan ahead and 64% of Irish family businesses still do not have a formalised strategic plan compared to 51% for global peers. [The research](#) proves that those with good strategic plans have higher growth performance.



4. Step-up **digital capabilities**: Irish firms feel more vulnerable to digital disruption (40%) compared to global counterparts (30%), yet they see it less of a challenge. Four out of ten (40%) will have taken steps in terms of digital capabilities in the next two years, compared to 57% for global peers. Digital transformation requires new technical demands and a new culture and many Irish family businesses can do more to embrace emerging technologies for long term sustainability.

5. Greater focus on **succession and Next Gens**: Just 18% of Irish family businesses have a formalised succession plan. Half confirmed that they would have a management/ownership transfer in the next 5 years, but one in three have not involved the Next Gen in preparations. The Next Gen can also play an important role in ensuring the business is digitally fit-for-the future.
6. Promote **diversity**: Ireland scores well on diversity compared to global peers. 25% of women are on the Board compared to 21% globally. It has been proven that having a diverse organization is not only good for business but is the right thing to do.
7. Think about private equity as source of **funding**: A third of respondents confirmed they expect to be involved in a merger or acquisition in the next two years. But the source of funding may be changing. 36% confirmed that they would bring in private equity to help fund the business.



We believe that the time has come for family businesses to view values, purpose and legacy through a lens that may be quite different than the one through which they may have been viewed previously. The current landscape for family businesses provides compelling reasons to adopt a more proactive approach to getting more return from a common set of values. It also recognises that fundamentally values represent the ‘**social capital**’ of a business and like other forms of capital it is necessary to consider what constitutes an appropriate return on capital and how this may be achieved.

At PwC our Entrepreneurial & Private Business team remains fully committed to working with Irish family businesses to assist them in realising their full potential. A full copy of our report is available at [www.pwc.ie/reports/family-business-report-2019.html](http://www.pwc.ie/reports/family-business-report-2019.html)

### **John Dillon**

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