2019 GLOBAL FAMILY BUSINESS SURVEY

The impact of changing demographics on family business succession planning and governance

By
Andrea Calabrò
(STEP Global Academic Director & IPAG Family Business Institute, IPAG Business School)

Alfredo Valentino
(STEP Global Research Champion & ESCE International Business School)
Contents

1. Foreword .................................................................................................. 4
2. The Respondents ...................................................................................... 5
3. Differences in Generational Outlook ........................................................... 7
4. Retirement Plan .......................................................................................... 9
5. Succession Planning .................................................................................. 12
6. Family Governance and Corporate Governance ........................................... 16
7. Gender Effect and Societal Changes ......................................................... 20
8. Entrepreneurial Orientation, Performance and Main Concerns ..................... 22
9. Summary and Recommendations ............................................................. 25
About the STEP 2019 Global Family Business Survey ..................................... 27
About the STEP Project ............................................................................... 27
About the KPMG Enterprise Center of Excellence for Family Business .......... 27
Acknowledgments ....................................................................................... 27
About the Authors ....................................................................................... 28
With people living longer, increasing demographic and societal changes, family businesses in different parts of the world are exposed to new challenges that make traditional methods of succession and governance no longer appropriate. Looking at the demographic cohorts of global family business leaders helps shed light on differences in generational outlook and how family businesses are dealing with the challenges associated with succession and governance in the modern era. Overseeing, understanding and managing such challenges within the family and firm structure and culture is critical to the sustainability of the global family business model.

This report, based on the STEP (Successful Transgenerational Entrepreneurship Practices) 2019 Global Family Business Survey, addresses the above-mentioned challenge by answering the following questions:

How do changing demographics impact family business succession and governance?

Do CEOs belonging to younger demographic cohorts, such as Millennials, have different managerial and leadership styles?

How are family business leaders planning personal retirement plans and company succession plans?

What are the differences across cultures?

With over 1,800+ family business leaders from all over the world sharing their views on changing demographics and how they impact family business governance, succession, entrepreneurial orientation and performance, this report aims to foster debate and analysis on family businesses in different parts of the world.

Family business leaders have responded in 18 languages, from 33 countries and across 5 world regions (Europe & Central Asia, North America, Latin America & the Caribbean, Asia & the Pacific, and the Middle East & Africa).

The study has been promoted by 48 STEP-affiliate universities from different parts of the world that have made this collective effort a reality thanks to their passion for family business.

All the ingredients for a great story have been collected. We wish you all the best in discovering more.

Andrea Calabrò
STEP Global Academic Director
IPAG Family Business Institute
IPAG Business School
October, 2019
Nice, France
The Respondents

Respondents of the STEP 2019 Global Family Business Survey are the most senior family leaders in their businesses. Most often this person is the CEO. In situations where the CEO is not from the family, the respondent is the primary shareholder, chairperson of the board, chairperson of the family council, or in any other significant non-CEO position.

- **Age**: Average age 47
- **Gender**: 18% female
- **Birth Order**: 45% are first born
- **Position**: 39% are CEO only
  - 61% have multiple positions
- **Generation**
  - First: 41%
  - Second: 39%
  - Third: 13%
  - Fourth or above: 7%
- **Level of Education**
  - Four-year degree: 36%
  - Master's degree: 29%
  - High school degree: 11%
  - Some college: 7%
  - Other: 17%
Family businesses participating in this report are owned by a single family (with a common ancestor). The family maintains control through a family member in a senior leadership position. There is also a clear intent to pass this ownership/control to the next generation. We also include first-generation family businesses and organizations with shares trading in public markets. Size and industry participation matched the general size and industry mix of the country where the data is being collected.

**Firm Turnover**
(in USD Million)

- <5: 6%
- 5-20: 23%
- 20-250: 22%
- >250: 49%

**Firm Size**
(per number of employees)

- Below 20: 29%
- 21-100: 34%
- 100-1000: 28%
- More than 1000: 9%

**Main Industry**

- Services: 57%
- Manufacturing: 30%
- Agriculture and mining: 13%
Generational changes affect the way family business leaders manage their firms, and make traditional methods of succession and governance no longer appropriate. Each demographic cohort comes with its own approach to life and work, redefining profoundly the status quo of families and their businesses. Identifying the demographic cohort current global family business leaders belong to helps better understand how such changes impact family businesses in the modern era.

For this purpose, we segment global family business leaders into four different demographic cohorts:

**Silent Generation (born in 1925-1945)**

**Baby Boomers (born in 1946-1964)**

**Generation X (born in 1965-1980)**


In North America 15% of family businesses are led by CEOs from the Silent Generation, more than double the global average, and suggests that in those firms a change at the top is urgent.

The Middle East & Africa have the highest percentage (27%) of family business leaders which are Millennials.

At the global level, Millennial family business leaders (39%) have the highest level of education (master’s or doctorate). This is even stronger in Asia & the Pacific (42%) and Latin America & the Caribbean (47%).
Current family business leaders were also asked to provide information on the previous CEO. Concerning their tenure, 20% of previous CEOs stayed in business for more than 35 years, while only 24% stayed between 16 and 25 years. Moreover, only 15% stayed for less than 5 years. When we look at demographic cohorts and previous CEOs, we see that belonging to a more recent demographic cohort reduces the tenure of the previous CEO.

We explored the possibility of performance differences related to CEOs and their leadership styles, and observed that family businesses led by CEOs belonging to Generation X and Millennials show higher degrees of performance than family businesses led by the Silent Generation and Baby Boomers, both of whom experienced a fall-off in performance.
4 Retirement Plan

With people living longer and healthier lives, personal and professional retirement plans become even more critical to family businesses in different parts of the world. This section aims to understand at what age current family business leaders plan to retire, if they have a personal retirement plan, and how they plan to spend their time in retirement. Exploring those aspects becomes even more important if we take into account the previous evidence suggesting that family businesses led by the Silent Generation or Baby Boomers show a lower overall performance than the ones led by leaders belonging to younger demographic cohorts.

**CEO Retirement Age**

**53% retire between the ages of 61 and 70**

It is also interesting to observe that while the 27% of family business leaders at a global level plan to retire at over 70 years of age, this percentage increases to 40% in North America.

In Europe & Central Asia it goes up to 60%. In Asia & the Pacific it drops to 46%.

Exhibit 2: Global family business leaders and planned retirement age
When we look at how CEOs are distributed along demographic cohorts, and their situation in terms of a personal retirement plan, we see that Millennial family business leaders plan to retire before their 50th birthday, while the Silent Generation and Baby Boomers plan to retire at over 60 years of age. This suggests that Millennial family business leaders plan to retire earlier than the CEOs belonging to older demographic cohorts, as they might be more oriented towards a different lifestyle than previous generations, and place more importance on work-life balance.

53% of global family business leaders don’t have a specific retirement plan

- Europe & Central Asia, at 58%, are fairly consistent with the average
- 87% of Italian and 63% of Spanish family business leaders do not have a retirement plan
- The percentages decrease in Germany (40%) and Hungary (38%) suggesting that family business leaders value a retirement plan
At a global level, when we asked family business leaders how they plan to spend their time in retirement, the most common answers were travel and time with family (36% combined), without significant differences across world regions, followed by taking an advisory role in the family (17%) and leisure (15%). In sum, 51% of global family business leaders plan to spend their time in retirement in activities that are unrelated to the business. However, in Latin America & the Caribbean, business leaders show more interest in “doing new business activities.” Furthermore, in Latin America & the Caribbean and the Middle East & Africa, there is more interest in “semiretirement” options, and in being willing to have a “role in the family council.” Finally, in Asia & the Pacific and the Middle East & Africa they show more interest in developing “family philanthropic initiatives”.

**Plans after Retirement**

- **Travel** 19%
- **Time with the family** 18%
- **Advisory role in the family** 17%
- **Leisure** 15%
- **New business opportunities** 11%
- **Family council role** 9%
- **Family philanthropy** 8%
- **Other** 3%
Succession Planning

Implementing a succession plan often suggests that family business leaders are aware of the importance of having a succession process that can be handled in a timely and professional manner. The better the plan, the better the outcome. The STEP 2019 Global Family Business Survey reveals that 70% of current family business leaders admit to not having a succession plan in place. This evidence stays constant and with similar percentages across world regions. Despite this, 47% of current family business leaders report having an emergency plan for succession in case of unexpected events. This percentage goes up to 60% in North America and down to 37% in Latin America & the Caribbean.

The STEP 2019 Family Business Survey reveals that 70% of current family business leaders do not have a succession plan in place. Despite this lack, 47% of current family business leaders report to have an emergency plan for succession in case of unexpected events. This percentage goes up to 60% in North America and down to 37% in Latin America & Caribbean.

This evidence stays constant and with similar percentages across world regions.

<table>
<thead>
<tr>
<th>Region</th>
<th>Presence of a Succession Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>30% Yes 70% No</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>28% Yes 72% No</td>
</tr>
<tr>
<td>North America</td>
<td>33% Yes 67% No</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>28% Yes 72% No</td>
</tr>
<tr>
<td>Asia &amp; Pacific</td>
<td>31% Yes 69% No</td>
</tr>
<tr>
<td>Middle East &amp; Africa</td>
<td>36% Yes 64% No</td>
</tr>
</tbody>
</table>
Despite the lack of a formal succession plan, 45% of global family business leaders state that the likelihood that the family business will stay in the hands of the family in the future is very high. This percentage increases to 55% in Asia & the Pacific and the Middle East & Africa and decreases to 33% in North America. However, this tendency decreases with younger demographic cohorts, suggesting they might have less emotional attachment to the family business.

Concerning the question, “Will the next CEO be a family member?” 37% of global family business leaders state that there is a high likelihood this will happen, while 43% declare there is a medium likelihood, and only 20% state it will be unlikely that the next CEO will come from the owning family. It is interesting to observe that Generation X and the Millennial family business leaders believe it is less likely the next CEO will be a family member than does the Silent Generation and Baby Boomers.
Despite the lack of formal succession planning, global family business leaders report that the business has to stay under the ownership of the family in the future and the likelihood is high that it will be led by a family CEO. To better understand how they will select the next CEO, we asked about the process they will most likely follow. While 48% declares that their choice is based on the future candidate’s level of interest in the business, and 23% said that they will select the most qualified, 12% report that they will follow the “first-born male son” logic embedded in the primogeniture cultural and historical norms, which are more common in the Middle East & Africa (18%) and Asia & the Pacific (21%). The rest of the responses include “the board will decide” (11%) and “use of external search firms” and “others”. There are no substantial differences across world regions. In sum, successors’ self-commitment and competence are the core criteria on which global family businesses will base the selection of their next CEO.

Selecting the next CEO based on the male primogeniture logic, despite decreasing in popularity, is still a trend that becomes clearer as we explore the birth order of current CEOs. In fact, while only 27% are second born and 28% are third or later born, 45% of current CEOs are first-born children. Interestingly, in the Middle East & Africa, the percentage of CEOs being first born decreases to 27%. This is an interesting aspect to be further explored, especially considering recent evidence suggesting that family businesses that follow male primogeniture to select the next CEO will underperform in comparison to those that have the courage to break the primogeniture logic by selecting a second- or later-born child as next CEO.
The CEO succession process in a family business is supposed to be linear, implying the transfer of company leadership from a family member of the current generation (parent) to one belonging to the next generation (child).

However, succession is not always straightforward. The following exhibit shows the types of succession happening on a global level.

- **Linear Succession**: The transfer of company leadership from a family member of the current generation (parent) to one belonging to the next generation (child).
- **Discontinuous Succession**: A jump from one generation to the another (e.g., the former CEO belonged to the 1st generation and the current to the 3rd).
- **Intra-generational Succession**: The succession from the former to the current CEO happens within the same generation.
- **Reverse Succession**: The CEO from a younger generation is succeeded by one from an older generation.

Looking at generational cohorts, we observed that while family business leaders from the Silent Generation stated that the succession has been mainly an intra-generational succession (79%), Baby Boomers (55%) and Generation X (61%) declared that previous successions followed a linear path and the majority of Millennials (78%) have faced a discontinuous succession.

It is also interesting to observe that current family business leaders see the next CEO succession to be mainly discontinuous (48%) or linear (29%), and that the next CEOs will be mainly Millennials (61%).

It is interesting to observe that family businesses globally that had a formal succession plan are associated with higher satisfaction in the way the last succession process was handled. Further, family business leaders from Generation X (26%) have a higher satisfaction with their succession process in comparison to family business leaders belonging to the ‘Baby Boomers’ (49%). Our data also shows that when the former CEO had a personal retirement plan, his/her successor had a higher satisfaction with the succession process.
Family Governance and Corporate Governance

Selecting the right governance structure for the family business is of utmost importance for its long-term sustainability. Family governance through processes and structures supports communication among family members and helps them define who they are as a group and what they want to achieve. The level of family governance development is linked to how strong family members identify with the firm. At the global level, 41% of CEOs have a high level of family identification with the firm while 47% have a medium level. This percentage decreases to 34% in Latin America & the Caribbean and to 37% in Asia & the Pacific.

Exhibit 6: The level of family members’ identification with the firm

Respondents revealed that at the global level there is on average a good development of family governance tools in comparison to corporate governance, which is measured using the average number of tools adopted for each governance type. There are also differences among different world regions. For example, family businesses in the Middle East & Africa and Latin America & the Caribbean adopted various tools, including having a family constitution, a family council and formal family meetings. Family business leaders from North America reported using more corporate governance tools than family governance ones; it is the only world region to show this trend.
Family firms could implement different family governance tools, ranging from a family constitution, formal family meetings or a family council, or use external consultants to manage and address family issues. The global trend shows that 25% use professional consultants, followed by a family employment policy (16%) and formal family meetings (9%). At the world regional level, we observe the same trend with some exceptions. For example, in the Middle East & Africa, a family employment policy is the most adopted tool, while in Asia & the Pacific, family assembly is used more than formal family meetings.

Exhibit 8: Family governance tools (multiple answers)

Regarding family governance tools at the global level, 45% adopt only one tool, 22% adopt two tools and 33% use three or more tools. Looking at world regions, using only one tool drops to 36% in Latin America & the Caribbean and the Middle East & Africa. Using three or more tools increases to 43% for both regions, and grows to 54% in North America.

Exhibit 9: The distribution of the investigated family firms per number of family governance tools used

Focusing on family businesses that adopt only one family governance tool at the global level, we see that 22% use outside consultants, 16% conduct formal family meetings, and 14% have a family assembly. There are no substantial variations across world regions.

It’s interesting to observe that investing in specific family governance tools increases the sense of family members’ identification with the firm – but this occurs only when the family business adopts more than one family governance tool. In other words, in order to increase family members’ identification with the firm, it is necessary to use more than one family governance tool. Moreover, the family businesses that adopt more than one family governance tool compared to the ones that adopt only
one also show higher levels of entrepreneurial orientation and firm performance. Finally, it is interesting to observe that the family businesses that adopt at least one of the following family governance tools (formal family meetings, family constitution, family council, or family assembly) show higher levels of entrepreneurial orientation and performance in comparison to the ones that adopt none of them.

Turning our attention to corporate governance tools, including having a formal family board, external board directors, formal bylaws or female directors (among others) to govern the business, we observe that 31% of global family businesses have women on the board, 16% have a formal succession process, 16% have family bylaws and 11% have a formal board of directors. We do not see any significant difference across world regions.

Exhibit 10: Corporate governance tools (multiple answers)

<table>
<thead>
<tr>
<th></th>
<th>Global</th>
<th>Europe &amp; Central Asia</th>
<th>North America</th>
<th>Latin America &amp; Caribbean</th>
<th>Asia &amp; Pacific</th>
<th>Middle East &amp; Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women on the Board</td>
<td>31%</td>
<td>31%</td>
<td>34%</td>
<td>32%</td>
<td>24%</td>
<td>37%</td>
</tr>
<tr>
<td>Formal Succession Process</td>
<td>16%</td>
<td>17%</td>
<td>18%</td>
<td>13%</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Formal Bylaws</td>
<td>16%</td>
<td>14%</td>
<td>21%</td>
<td>21%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>Formal Board of Directors</td>
<td>11%</td>
<td>11%</td>
<td>8%</td>
<td>7%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>Board of Advisors</td>
<td>7%</td>
<td>9%</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Different Share Classes</td>
<td>6%</td>
<td>4%</td>
<td>8%</td>
<td>7%</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>Mandatory Retirement Age</td>
<td>6%</td>
<td>6%</td>
<td>1%</td>
<td>5%</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>External Directors on the Board</td>
<td>5%</td>
<td>4%</td>
<td>2%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Majority of the Board Made Up of External Directors</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Our evidence suggests that there is difference among the surveyed family businesses about the adopted corporate governance tools. At the global level, 48% adopt only one corporate governance tool, 22% adopt two tools and 30% three or more tools. In contrast to the family governance tools, we do not observe any significant difference with business governance tools across world regions. The unique exception is Latin America & the Caribbean, where the percentage of family businesses that uses only one tool drops to 41%.

Focusing the family businesses with only one corporate governance tool, we see that at the global level, 19% have a formal board of directors, 16% have a formal succession process, 16% have family bylaws and 15% have a board of advisors. There are no substantial variations across world regions.
The family businesses that adopt three or four corporate governance tools in comparison to the ones that adopt only one tool show higher levels of entrepreneurial orientation and performance. It is interesting to observe that the family businesses that adopt at least one of the following corporate governance tools – a formal board of directors, external board of directors, or a majority of external board of directors – show higher levels of performance in comparison to the ones that don’t adopt any tools.

When we asked global family business leaders about their perceived need for changing existing family governance tools, they are divided on their effectiveness: only 50% are almost satisfied, while the others consider a change to be necessary to achieve greater growth. At the world regional level, Europe & Central Asia and North America business leaders highlight the effectiveness of existing family governance tools to achieve greater growth and performance and/or family harmony, while Latin America & the Caribbean, Asia & the Pacific and the Middle East & Africa asked for a change.

Exhibit 12: Perceived need of change of family governance structure

When we look globally at the degree of family control and influence on the one hand, and the degree of family members’ identification with the firm on the other (which could be considered the respective structural and the emotional sides of being a family business), we observe that when family businesses place more importance of the structural side, they have lower levels of entrepreneurial orientation and performance. On the contrary, if they place more importance on the emotional side, they show higher levels of entrepreneurial orientation and performance.

Further analyses suggest that family businesses with autocratic leadership – in which individuals and/or teams pursuing business opportunities are expected to obtain approval from their supervisors before making decisions, and the CEO and top management team play a major role – are less likely to have a structured business governance and succession plan. Finally, family businesses operating in more dynamic environments, characterized by intense and continuous changes in the market and by continuous requests of new products and services from customers, are more likely to have a more formal governance structure and a succession plan.
Gender Effect and Societal Changes

The increase of women in the workforce is one of the most significant changes in the economy in the last 40 years. Women are increasingly taking over in industries throughout the world and family businesses are not exempt from this trend. In the STEP 2019 Global Family Business Survey, we observe that 18% of current family business leaders are female, a relatively small percentage suggesting that the “glass ceiling” at the top remains a challenge. By splitting this percentage across world regions, we see that family businesses from Europe & Central Asia are the ones with the highest percentage of female CEOs (43%), followed by Latin America & the Caribbean (25%) and Asia & the Pacific (20%). World regions with the lowest percentage of female CEOs are North America (7%) and the Middle East & Africa (5%). Of those, 2% are from Silent Generation, 39% are Baby Boomers, 35% belong to Generation X and 24% are Millennials. In comparison to other world regions, Europe & Central Asia have the highest percentage of female family business leaders, and they belong to Generation X (39%) and Baby Boomers (35%). In the Middle East & Africa, the highest percentage of female family business leaders are Millennials (38%). North America has the lowest level of female business leaders for all demographic cohorts.

There are differences between male and female CEOs concerning their retirement plans. Female family business leaders plan to retire at a younger age than their male counterparts. Succession planning, in terms of a time frame for the exit of an incumbent CEO and the entrance of an incoming CEO, is different when the next family business leader is female compared to an incoming male leader. Decisions about succession take place earlier if the next family business leader is female. Indeed, our data shows that when the next CEO is a woman, the former CEO retires earlier than when it is a man.

Having a female CEO could have an effect on business practices. We found interesting patterns in the selection of a new CEO that suggests there is demographic similarity between the current CEO and the next one that has been selected. This pattern shows that in a family business with a female CEO, the incoming CEO is also a woman. This gender-based pattern is even stronger when the current CEO is male. We also observed that family businesses with more developed corporate governance and succession plans are less likely to choose a female as their next family business leader.
In terms of leadership style, we see that family businesses with female CEOs have less autocratic leadership than male CEOs: individuals and/or teams pursuing business opportunities make decisions on their own without constantly referring to their supervisors; employee initiatives and input play a major role. This autonomy is stronger in Europe & Central Asia than in the rest of the world. Nevertheless, as leaders age, female business leaders are more autocratic than their male counterpart.

Finally, we found evidence that family business leaders show a higher philanthropic attitude after the shift from the Silent Generation (6%) to the Baby Boomers (46%). However, it decreases with the shift from the Baby Boomers to the Millennials (18%). Nevertheless, in the Middle East & Africa in comparison to the rest of the world the Millennials in charge have higher philanthropic attitudes (42%). There is no substantial difference between female and male CEOs in terms of philanthropic attitudes.

<table>
<thead>
<tr>
<th>Generation</th>
<th>Philanthropic Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silent Generation</td>
<td>6%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>46%</td>
</tr>
<tr>
<td>Generation X</td>
<td>30%</td>
</tr>
<tr>
<td>Millennials</td>
<td>18%</td>
</tr>
</tbody>
</table>

Middle East & Africa, in comparison to the rest of the world, the Millennials in charge have a higher philanthropic attitude (42%). There is no substantial difference between female and male CEOs in terms of philanthropic attitudes.
Entrepreneurial Orientation, Performance and Main Concerns

We were interested in investigating the effects that family business leaders and their demographics have on the level of entrepreneurial orientation (EO) and firm performance. EO refers to the processes, practices, and decision-making activities furthering entrepreneurship. It is characterized by one or more of the following qualities: a propensity to act autonomously (autonomy), a willingness to innovate (innovativeness) and take risks (risk-taking), a tendency to be aggressive toward competitors (competitive aggressiveness), and to be proactive relative to marketplace opportunities (proactiveness). Keeping EO alive and projecting it towards future generations is one of the key aspects to sustain the family firm across time.

Global family firms show medium levels of EO. Looking at the different components of EO, we observe that risk taking and competitive aggressiveness are at lower levels than the other aspects, suggesting that family firms put less emphasis on these components. When we looked at the regional level, we saw that in Latin America & the Caribbean, Asia & the Pacific, and the Middle East & Africa, family businesses show a higher level of EO than in Europe & Central Asia and North America. This trend is higher in world regions characterized by higher market dynamism, such as Asia & the Pacific and the Middle East & Africa, suggesting more growth opportunities for family businesses in such regions than in the rest of the world.

Exhibit 13: Average value of entrepreneurial orientation and sub-components at the global level

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial orientation</td>
<td>3.11</td>
</tr>
<tr>
<td>Autonomy</td>
<td>3.18</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>3.19</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>3.31</td>
</tr>
<tr>
<td>Risk taking</td>
<td>2.9</td>
</tr>
<tr>
<td>Competitive aggressiveness</td>
<td>2.85</td>
</tr>
</tbody>
</table>

Exhibit 14: Entrepreneurial orientation at world level and per world regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East &amp; Africa</td>
<td>3.21</td>
</tr>
<tr>
<td>Asia &amp; Pacific</td>
<td>3.21</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>3.15</td>
</tr>
<tr>
<td>North America</td>
<td>3.03</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>3.04</td>
</tr>
<tr>
<td>Global</td>
<td>3.11</td>
</tr>
</tbody>
</table>
When we looked at the different components of EO across world regions, we found some interesting patterns.

**AUTONOMY**
Family businesses from Latin America & Caribbean, Asia & Pacific, and the Middle East & Africa have HIGHER AUTONOMY than family businesses from Europe & Central Asia.

**RISK**
Family businesses from Latin America & Caribbean, Asia & Pacific, and the Middle East & Africa take MORE RISKS than family businesses from Europe & Central Asia.

**INNOVATION**
Family businesses from Latin America & Caribbean and North America have a LESSER DEGREE of INNOVATIVENESS than family businesses from Europe & Central Asia.

**AGGRESSIVENESS**
Family businesses from all other world regions are MORE AGGRESSIVELY COMPETITIVE than family businesses from Europe & Central Asia.

Based on demographic cohorts, there is no substantial difference among the Silent Generation, Baby Boomers, Generation X, and Millennials: 60% had medium EO levels, 27% had high EO levels, and only 13% had low EO levels. These percentages are consistent across world regions with the only exception being **Asia & the Pacific**, where Millennial family business leaders are characterized by the highest level of EO. In terms of demographic cohorts and EO components, family business leaders belonging to Generation X are more proactive than the Baby Boomers.

Focusing on global performance, we see that family businesses do not perceive considerable changes in respect to their main competitors in the last three years. On a scale from 1 (much worse) to 5 (much better), their answers get on average a score of 3.5. Across world regions, we do not observe significant differences.
When we ask our respondents what the average growth in sales and profit (percent) of their family firm over the past three years were, we can observe that at the global level family business leaders indicated a 24% of growth in sales and 22% of growth in profit. Interestingly, Latin America & Caribbean family business leaders report 37% of growth in sales and 33% of growth in profit over the past three years suggesting stronger growth opportunities for family businesses in this world region.

When we looked at demographic cohorts, there are differences in terms of firm performance. Specifically, family businesses that are led by leaders belonging to Generation X and Millennials have a higher level of firm performance than family businesses led by older demographic cohorts (Baby Boomers and the Silent Generation).

We also asked senior family business leaders about concerns that keep them up at night, from the availability of talent, taxes, and digital transformations to environmental changes, inclusion and diversity, a return to territorialism, and more. The availability of talent (16%), taxes (15%), and regulation (14%) are the main concerns of global family business leaders, followed by digital transformation (12%), emerging technology (11%), and supply chain concerns (10%). It is very interesting to note that family business leaders are less concerned about cyber security (8%), environmental change (7%), inclusion and diversity (5%), and a return to territorialism (3%).
Summary and Recommendations

How do changing demographics impact family business succession and governance? Based on our analysis of the data generated through the STEP 2019 Global Family Business Survey, we identified the following key facts that drive financial and entrepreneurial performance, and formulated recommendations for family businesses globally:

<table>
<thead>
<tr>
<th>GENERATIONAL OUTLOOK</th>
<th>RETIREMENT PLAN</th>
<th>SUCCESSION PLANNING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millennial family business leaders (39%) have the highest level of education</td>
<td>Global family CEOs plan to retire between the age of 61-70</td>
<td>70% of global family businesses do not have a formal succession plan</td>
</tr>
<tr>
<td>Belonging to a more recent demographic cohort is related to lower CEO tenure</td>
<td>More than half of global family CEOs do not have a formal retirement plan</td>
<td>Self-commitment and competence are the main criteria in selecting the next CEO</td>
</tr>
<tr>
<td>Millennial family CEOs plan to retire before their 50th birthday</td>
<td>More than 1/3 of global family CEOs don’t plan to spend time in business activities after retirement</td>
<td>47% of global family business have a succession plan in case of unexpected events</td>
</tr>
<tr>
<td>Family firms led by CEOs from Generation X and Millennials perform better</td>
<td></td>
<td>45% of global family business leaders state that ownership will stay in family hands</td>
</tr>
</tbody>
</table>

**Recommendation 1:**

Millennial CEOs are ready to take over!

Millennial family business leaders are highly educated and have a higher appreciation for a work / life balance. They are planning to retire before their 50th birthday and are leading their firms more successfully. Current family business leaders who are thinking about making a change at the top should not forget this.

**Recommendation 2:**

CEO retirement plan wanted

There is a need for family businesses globally to implement CEO retirement plans. Family CEOs are still retiring too late but despite of this after their retirement they plan to not be further involved in the business.

**Recommendation 3:**

Planning more is better

Selecting the next CEO based on criteria such as commitment and competence, and having a plan in case of unexpected events, are necessary conditions to secure the long-term sustainability of family businesses, but that’s not all. It is also necessary that global family businesses take into account that the next leaders will be Millennials and should implement formal succession plans from their perspective, covering business and family needs.
<table>
<thead>
<tr>
<th>FAMILY GOVERNANCE AND CORPORATE GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a perceived need for changing existing family governance tools.</td>
</tr>
<tr>
<td>To increase the sense of family members’ identification with the firm, it is important to use more than one family governance tool.</td>
</tr>
<tr>
<td>Family businesses which adopt more than one family governance tool compared to the ones which adopt only one show also higher levels of entrepreneurial orientation and firm performance.</td>
</tr>
<tr>
<td>Family businesses which adopt three or four corporate governance tools in comparison to the ones which adopt only one tool show higher levels of entrepreneurial orientation and performance.</td>
</tr>
</tbody>
</table>

**Recommendation 4:** Family governance does matter

There is a need to change the existing governance structures of family businesses. Family businesses wanting to strengthen family members’ identification with the firm need to implement more than one family governance tool. Moreover, adopting more than one family governance tool leads to higher degrees of entrepreneurial orientation and firm performance.

<table>
<thead>
<tr>
<th>GENDER EFFECTS AND SOCIETAL CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female family business leaders plan to retire at a younger age than their male counterparts.</td>
</tr>
<tr>
<td>Decisions and succession takes place earlier if the next senior family business leader is female.</td>
</tr>
<tr>
<td>Family businesses with female CEOs have less autocratic leadership than male CEOs.</td>
</tr>
</tbody>
</table>

**Recommendation 5:** More Female CEOs are Needed and Beneficial

Letting more female CEOs take the stage in the family business is needed globally and will benefit the family businesses as they will have less autocratic leadership styles than male CEOs, plan to retire earlier, increase the likelihood to have more female CEOs in the future and anticipate the time of succession.

<table>
<thead>
<tr>
<th>ENTREPRENEURIAL ORIENTATION, PERFORMANCE AND MAIN CONCERNS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of talent is the main concern of family business leaders globally.</td>
</tr>
<tr>
<td>Family businesses that are led by leaders belonging to Generation X and Millennials have higher levels of firm performance than family businesses led by older demographic cohorts.</td>
</tr>
</tbody>
</table>

**Recommendation 6:** Millennial CEOs perform better but more talent is needed

It is time to ‘pass the baton’ to Millennial CEOs to boost family business performance. Moreover, to sustain competitiveness it is also important to continuously look for talent. In addition, family businesses globally should reflect on how to increase and strengthen their employer branding.
About the STEP 2019 Global Family Business Survey

Each team identified potential respondent eligibility for the project by considering their country and industry characteristics. The criteria for selecting family businesses to participate in the survey were as follows: (1) the respondent should be the most senior family business leader in the business; (2) the firm should have ownership by a single family (with a common ancestor) resulting in effective control by that family through a senior family business leader, and where there is a clear intent to pass this ownership / control to the next generation; (3) size and industry participation matched the general size and industry mix of the country where the data is being collected. The questionnaire was designed by the STEP consortium using previously validated scales and the research team’s 10+ years of experience in conducting qualitative and quantitative research on the specific topic of family businesses’ successful transgenerational entrepreneurship practices. The survey was generated in English and offered in 17 languages and in all cases a professional translation service was used. The survey was launched in October 2018 and completed in March 2019. Forty-eight STEP-affiliated institutions participated in this study, with 1,834 participants filling out the questionnaire from 33 countries in five world regions, with a response rate of 37%.

About the STEP Project

Founded in 2005 by Babson College in collaboration with six academic affiliates in Europe, the STEP (Successful Transgenerational Entrepreneurship Practices) Project is a global applied research initiative that explores the entrepreneurial process within business families and generates solutions with immediate applications for family leaders. STEP has 48 universities involved in the project from around the world. Scholars and practitioners involved in STEP focus on assisting families in passing business leadership over to the next generation by taking into account the importance of an entrepreneurial mindset and capabilities that enable them to sustain and create new streams of wealth across many generations.

About the KPMG Enterprise Center of Excellence for Family Business

As with your family, your business doesn’t stand still — it evolves. Family businesses are unique. KPMG Enterprise Family Business advisers understand the dynamics of a successful family business and work with you to provide tailored advice and experienced guidance to help you succeed. To support the unique needs of family businesses, KPMG Enterprise coordinates with a global network of member firms dedicated to offering relevant information and advice to family-owned companies. Visit: www.kpmg.com/familybusiness.

Acknowledgments

Firstly, we would like to thank the 1,834 family business owners and managers who generously gave their time to participate in the survey. We would also like to thank the STEP Survey & Global Report committee for sharing their expertise for this survey and report: Matt Allen, Babson College; Kevin Au, Chinese University of Hong Kong; Rodrigo Basco, American University of Sharjah; Jeremy Cheng, Chinese University of Hong Kong; Eric Clinton, Dublin City University; James Davis, Utah State University; Ana Cristina Gonzalez, Grand Valley State University and Yeny Rodriguez, Universidad ICESI. Many thanks also to Ilse Matser, STEP Global Board Chairperson, Windesheim University of Applied Sciences. We are also indebted to the insights and contributions to the survey provided by Jonathan Lavender (Global Chairman, KPMG Enterprise, Global Co-leader, KPMG Enterprise Family Business, KPMG International), Tom McGinness (Global Co-leader, KPMG Enterprise, Family Business, KPMG International, Partner, KPMG Enterprise in the UK), Melany Eli (Director, Strategy, Marketing and Communications, KPMG Enterprise, KPMG International), Daniel Trimarchi (Program Director, KPMG Enterprise Global Centre of Excellence for Family Business, KPMG International), Phil Blackman (Chief Operating Officer, Global Corporate Affairs, KPMG International), and Ken McCracken (Family Business Consultant). Special thanks to Toni Carbone for her support with the survey interface and data collection process. Last but not least, this survey would not have been possible without the commitment, dedication, and support of Valerie Duffy, Assistant Director of the Global STEP Project.
About the Authors

Prof. Andrea Calabrò, STEP Project Global Academic Director and IPAG Family Business Institute (IFBI), IPAG Business School, Nice, France

Andrea Calabrò is the Academic and Managing Director of the IPAG Family Business Institute (IFBI) and Professor of Family Business & Entrepreneurship at IPAG Business School, Nice, France. He is currently Global Academic Director of the STEP (Successful Transgenerational Entrepreneurial Practices) Project. He has published journal articles on family firms, internationalization, and corporate governance in leading international peer-reviewed journals such as: Strategic Management Journal, Entrepreneurship Theory & Practice, Harvard Business Review (Case Study Collection), Journal of Business Research, Journal of Business Ethics, International Journal of Management Reviews, Family Business Review. Professor Calabrò can be reached at: a.calabro@ipag.fr

Prof. Alfredo Valentino, STEP Project Global Research Champion and Associate Professor at ESCE International Business School, Paris, France

Alfredo Valentino is associate professor in International Business at ESCE International Business School in Paris. He obtained his Ph.D. in Management from Luiss Guido Carli University in Italy. He has experience in teaching graduate, undergraduate and post-graduate courses. His research interests include family firms internationalization, Headquarter-Subsidiary relations, location and relocation decisions of multinational enterprises, and internal and external embeddedness of subsidiaries. His work has been published in major journal of International Business such as Journal of World Business and International Business Review. He is also part of the STEP project as global research champion. Professor Valentino can be reached at: avalentino@esce.fr
Collaborative Member

Survey Collaborators
In this report, the analysis is conducted globally, considering all countries, and per world region. World regions are classified following the World Bank classification and split into: Europe & Central Asia, North America, Latin America & Caribbean, Asia & Pacific, and Middle East & Africa.

COUNTRIES PARTICIPATING IN THE SURVEY— USA, Italy, Spain, Hungary, China, Mexico, Colombia, Brazil, Venezuela, India, Netherlands, Turkey, France, UAE, Germany, Thailand, Ecuador, Canada, Russia, Taiwan, Chile, Hong Kong, Japan, Peru, UK, Saudi Arabia, South Africa, Guatemala, Ireland, Philippines, Belgium, Australia, and Portugal.
Founded in 2005 by Babson College in collaboration with six academic affiliates in Europe, the STEP Project is a global applied research initiative that explores the entrepreneurial process within business families and generates solutions that have immediate application for family leaders.

For more information about the STEP Project, please contact STEP@BABSON.EDU

Web: STEPresearch.org
Twitter: @STEPFamilyEship