

Growth

Family business dynamics



Brick by brick

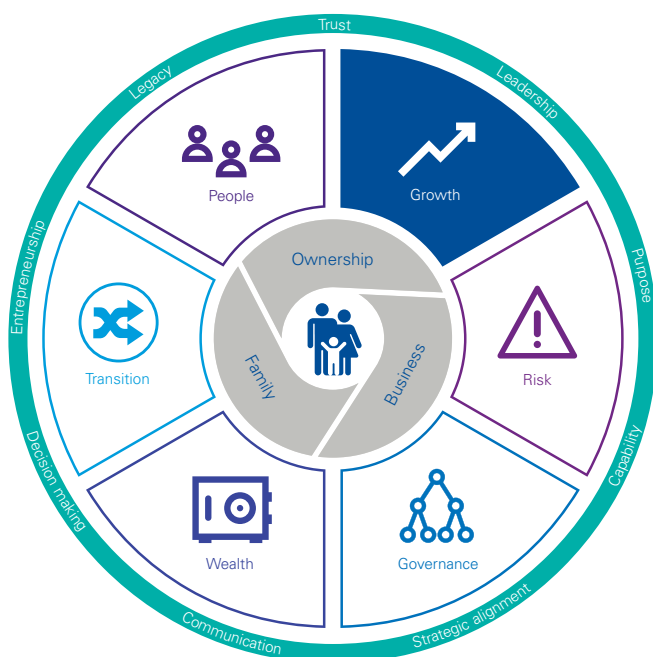
Building profitable growth in family business

Profitable growth is essential for the long-term sustainable health of a family business. Businesses that do not grow or put strategies in place to address stagnant growth, risk being out-shined by new or existing competitors. This is true of all businesses, but especially for a family business, as there is often a longer horizon for growth.

Agreeing on when and how to grow can often be a challenge for family businesses. Differing family views on growing the business can create a very disruptive environment. A growth plan supported and understood by family members can enhance family harmony and engaging the next generation in the growth strategy can help to spark innovation.

Family business dynamics

As with your family, your business doesn't stand still — it evolves. Family businesses are unique, at the core lies an important dynamic connecting the family and the business through the family's ownership, which offers both opportunities and challenges. Surrounding each decision you may take, are strong family values and a purpose that helps you navigate the journey ahead. KPMG Private Enterprise advisers understand the dynamics of a successful business and work with you to provide tailored advice — throughout the lifecycle of your business.



“ Profitable growth is essential for the long-term sustainable health of a family business. ”

Source: KPMG Private Enterprise Family business dynamics, 2017

Are you ready to grow profitably?

While family businesses have competitive advantages over other businesses, one thing is certain — for a family business to adapt and remain competitive, a growth strategy is required. How do you know if your business is ready to grow and what strategies are best suited?

Consider assessing your capabilities in the following key areas:

Value creation

Does your business periodically review the markets/ segments it serves for development potential, changes to customer preferences, quality positioning, and costs?

Strategy and business planning

Does your business have an inspiring and clear vision for the next 3 to 5 years that provides a basis for focus, direction, and goal setting?

Business structure, operations and finance

Does your business have financial and management reporting processes that provide reliable and timely information for decision-making and reporting?

Human resources

Does your compensation program fairly reward results and positively influence behaviors?

Information technology

Does your business make investments in information technology that generate measurable value for the business?

Governance

Does your business have regular board or advisory committee meetings to provide input on direction and important decisions?

Achieving profitable growth for your business

Your growth strategy will depend on which combination is right for your business and how you will tailor your offering to succeed in the market place. Sitting down with a KPMG Private Enterprise business adviser to conduct a thorough assessment can help point you in the right direction.

When it comes to building and implementing your growth strategy, there are **9 Levers of Value** to consider which represent the key elements of an organization's financial, business and operating model that business owners think through to help achieve profitable growth.



Source: 9 Levers of Value, KPMG Global Strategy Group, 2017

Taking the next step

Implementation is essential. Conducting a thorough assessment of your business and identifying opportunities for growth are critical when planning your strategy, but following through is the most important part. In many cases, this is where businesses fall short — they know how they can grow but do not take the action and necessary steps to fulfill their strategy. Fostering entrepreneurship within your family businesses will help to support your growth plans. Ensuring that your business executes its growth strategy can make the difference between a business that succeeds and a business that falls short.

// KPMG Private Enterprise family business advisers bring years of knowledge and experience to each unique engagement. //



Case study

The road to profitable growth

For years Point B Trucking grew organically, but then growth began to stall. Owner Rajinder Bajwal* decided to seek out opportunities to grow by acquisition. His plan was to acquire a small carrier with a couple of good customer accounts. Rajinder had learned about the opportunity from a trusted friend, and he proceeded to negotiate and agree to a deal without consulting his accountant or lawyer.

At first the deal seemed very attractive, but, after just 6 months, all the new drivers had left and the customers acquired in the deal had started to seek more competitive bids, which drove down margins. The mistake was costly for Rajinder, and he vowed to never grow by acquisition again.

After this attempt at growth failed, Rajinder called on his KPMG Private Enterprise business advisers for advice. Once a thorough assessment of the business and research on its existing customer base had been conducted, Rajinder and his advisers sat down and devised an actionable strategy for profitable growth. Through discussions with KPMG Private Enterprise, Rajinder discovered the opportunity to diversify his service and offer refrigerated transport along with current traditional hauling.

Although Rajinder had a bad experience with a past acquisition, after exploring all of his options he knew it could be an incredible opportunity for growth if he acquired the right business. Rajinder’s KPMG Private Enterprise family business advisers helped him find the right business to acquire.

Today, Point B Trucking has tapped into a new customer segment and has even branched into new geographies, fully realizing Rajinder’s strategy for profitable growth.

*Actual family business name and members have been changed to protect confidentiality.



We're here to help

KPMG Private Enterprise family business advisers understand that family dynamics can make it difficult to come to an agreement on the best strategy for growth. There is not a one-size-fits-all answer — our advisers can help you explore

all of your options and find the approach that is right for your business and family. Once you have decided what route you want to take, we can work with you to implement your growth strategy.

Contact us



Jonathan Lavender

Global Head, KPMG Private Enterprise,
KPMG International,
Partner, KPMG in Israel
E: jonathanlavender@kpmg.com



Tom McGinness

Global Leader, Family Business,
KPMG Private Enterprise, Partner,
KPMG Private Enterprise in the UK
E: tom.mcginness@kpmg.co.uk

Visit the KPMG Private Enterprise family business web page:

home.kpmg/familybusiness



Family businesses are constantly evolving

The [KPMG Private Enterprise Family Business Dynamics Assessment](#) is a complimentary confidential online self-diagnostic tool highlighting key issues and opportunities that align to the [KPMG Private Enterprise Family Business Dynamics](#). Focusing on the six areas of growth, risk, governance, wealth, transition and people, the assessment allows you to prioritize these issues and opportunities based on how important you believe them to be and how capable, or incapable, you believe the family is to address the issues. It also provides an opportunity to see what other families see as important to their success and what you should be considering if you aren't already.

Try the KPMG Private Enterprise Family Business Dynamics Assessment today.

Visit <https://dynamicsassessment.kpmg.com>

home.kpmg/privateenterprise

home.kpmg/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Designed by Evalueserve.

Publication name: Growth: Family business dynamics

Publication number: 134372c-G

Publication date: July 2020