Does having deep roots guarantee a strong family tree?

Recognizing generations of family enterprise excellence around the world

EY Family Business 2018

The better the question. The better the answer.
The better the world works.

EY
Building a better working world

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Family roots may run deep, but does that always translate to generations of success for a family business? For the EY Family Business Award of Excellence winners, it certainly does.

I am delighted to present *EY Family Business 2018*, which recognizes and celebrates excellence in family businesses — our recipients of the EY Family Business Award of Excellence 2017–18. The winners are from many different sectors and, as you will read in their profiles, they are all innovators and, more often than not, market leaders.

With just 15% of all family-owned businesses surviving beyond the second generation, according to the Family Business Institute, our winners stand as a testament to the unique resilience, values, long-term vision and entrepreneurial spirit that characterize the world's most successful family businesses.

EY Family Business 2018 also includes some of our latest thinking on the issues facing today's family enterprises. Our "Spotlight on thought leadership" presents articles that reflect findings from our EY Global Family Business Survey 2018 and the latest EY Growth Barometer Family Business report. We explore how family business cultures are well-suited to addressing disruption and advancing women, and we look at how family offices are embracing innovation. We also examine the many factors influencing the next generation's ambitions. For more information about these and other family business topics, please visit **ey.com/familybusiness**.

The accelerated pace of disruption, shifting regulatory environments and constant changes in the global economy make this an exciting yet challenging time for businesses. But for family businesses, their strong family roots are foundations for growth and success for generations to come.

We are proud to recognize the outstanding achievements of these remarkable women and men. Please read on and join me in celebrating family businesses around the world.


VERDI
HEROLD
EY

EY World Entrepreneur Of The Year™ welcomes family businesses

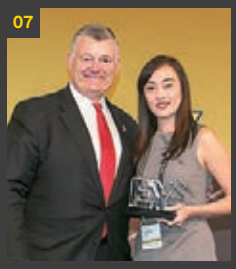
Family business leaders convened last year in Monaco at the EY World Entrepreneur Of The Year Forum to celebrate the accomplishments of the people who are building businesses, creating jobs and growing the global economy. More than 300 family business owners and entrepreneurs attended sessions and breakouts that grappled with the theme: Could uncertainty be your best opportunity for growth?

The durability of many family businesses and their great contribution to global economic growth inevitably lead to questions about the factors behind their success. What is the key to their survival, and how do family businesses continue to innovate as they move further away in generational terms from their founders? And what about the management of talent, both within the family and outside of it at the senior management level — how do successful family businesses get that right?

Answers to these questions can be varied and nuanced depending on the individual business and its particular set of circumstances. In Monaco, some of the world's most dynamic family businesses had a great opportunity to develop some common themes to better understand what drives family businesses and what's behind their success.

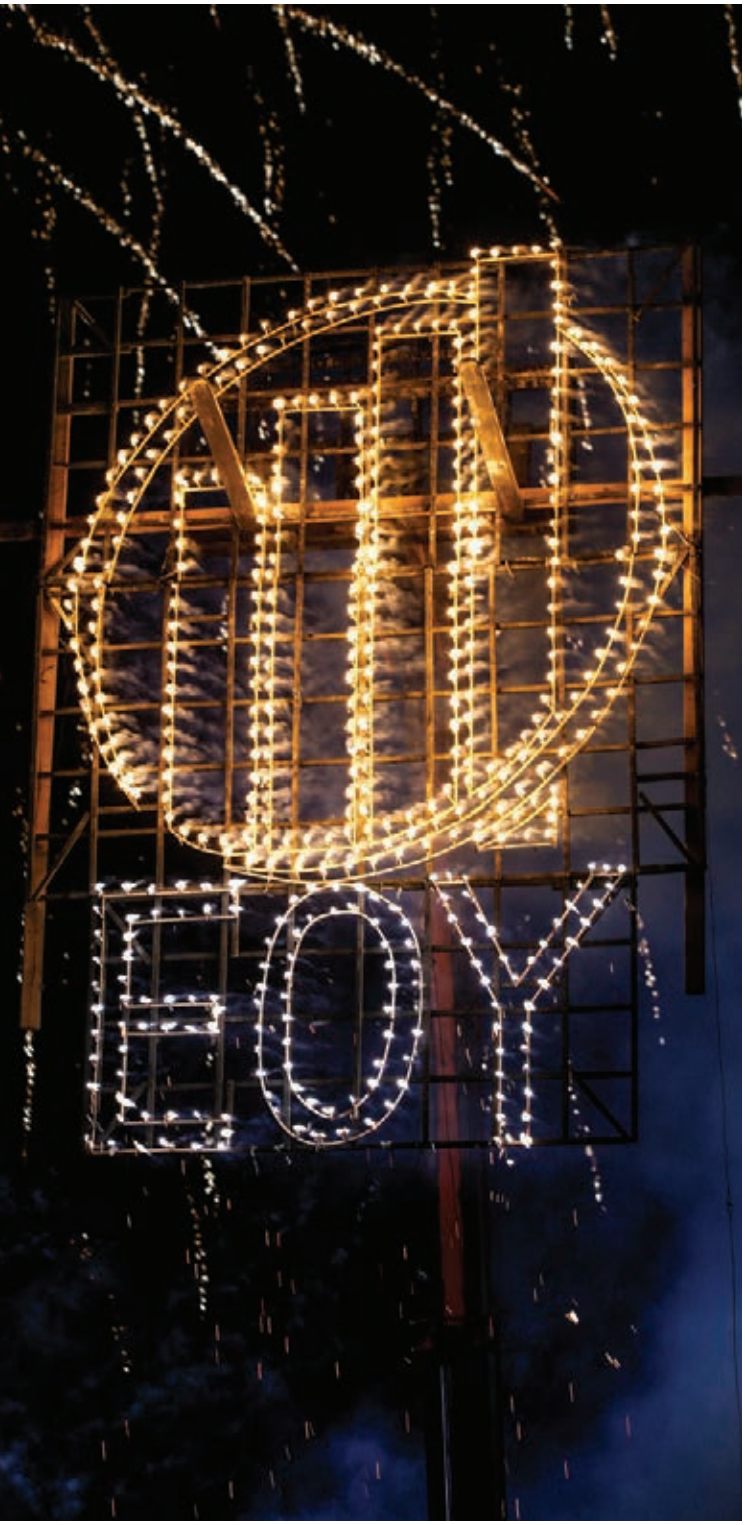




01 The impressive Yacht Club in Monaco was, once again, the venue of the exclusive Family Business Dinner 2017. **02** Bernhard Lorentz, EY Government & Public Sector Leader – GSA, moderates the panel "Leading practices in effective philanthropy and impact investing" featuring H.S.H. Prince Max von und zu Liechtenstein, CEO of LGT; Justin Aldrich Rockefeller, Cofounder of The ImPact Trustee, Rockefeller Brothers; and Olivia Leland, Founder and Executive Director, Collaborative for Scaling Social Impact. **03** Delegates enjoy the Family Business lunch, sponsored by Sixt. **04** Ofra Strauss, Chairperson of the Board of the Strauss Group, discusses "Growing against all odds: the extraordinary story of the Strauss Group." **05** Uschi Schreiber, EY Global Vice Chair – Markets and Chair of Global Accounts Committee, interviews William P. Lauder, Executive Chairman of The Estée Lauder Companies Inc. **06** The champagne reception featured a stunning view of the harbor at the Monaco Yacht Club. **07** William P. Lauder, Executive Chairman of The Estée Lauder Companies Inc., is announced as the special recognition recipient and presents the EY NextGen Award to Christina Suriadjaja of Travelio.com. **08** David Bain, founder of Family Capital, moderates the "Meet the family business winners" panel session featuring Sir William Gallagher of Gallagher, Ton van Veen of Jumbo, Heinrich Jessen of Jebsen & Jessen (SEA) and EY NextGen Award winner Christina Suriadjaja of Travelio.com. **09** "Sustainable growth: the impact of family governance and structure" is the topic explored by Annie Koh, Vice President, Office of Business Development, Practice Professor of Finance Academic Director, Business Families Institute and International Trading Institute, Singapore Management University; Jørgen M. Clausen, Chairman of Danfoss; Rodolfo De Benedetti, Chairman of CIR; and Nick Oughtred, Chairman of William Jackson Food Group. **10** Andreas von Specht, Founding Partner of AvS – International Trusted Advisors, moderates the panel session "When genes are not enough: how to attract, retain and nurture top non-family management" featuring Charles Kittredge, Chairman of the Board of Crane & Co.; Mohsen Sohi, CEO of Freudenberg Group; and Guido Vanherpe, CEO, La Lorraine Bakery Group.

EY Entrepreneur Of The Year™ celebrates decades of nurturing visionaries



The EY Entrepreneur Of The Year program honors entrepreneurs whose ingenuity, hard work and perseverance have established and accelerated the growth of innovative business ventures. The EY Entrepreneur Of The Year Award has become the mark of world-class individuals leading world-class companies.

Established 32 years ago in the US, the program now celebrates entrepreneurs from more than 60 countries. Each year, there are more than 10,000 nominations, 900 judges, 45,000 attendees at our gala award ceremonies and 500 award winners. The program concludes with one entrepreneur being named the EY World Entrepreneur Of The Year in Monaco.

A who's who of the world's businesses

The EY Entrepreneur Of The Year program is well-known for identifying disruptive and fast-growth entrepreneurial businesses before they become household names. Past winners include Marriott, LinkedIn, Cirque du Soleil, Chobani, Stripe and Klarna.

EY World Entrepreneur Of The Year Award

For the past 17 years, the EY Entrepreneur Of The Year Award winners have gathered in Monaco to vie for the title of EY World Entrepreneur Of The Year – and be inducted into the EY World Entrepreneur Of The Year Hall of Fame.

Why did EY establish the Entrepreneur Of The Year program?

We felt that it was important to recognize the world's most successful and innovative entrepreneurs. By recognizing their outstanding achievements in growing dynamic businesses, we aim to encourage entrepreneurial activity around the world.

We work with great entrepreneurs at every level of society: fresh thinkers in global corporations, visionaries at the startup level and social entrepreneurs working on society's most pressing problems. We have learned a great deal from this engagement. We recognize that entrepreneurship isn't about size – it's about a state of mind. We believe it's something that all businesses can – and should – embrace.

We want to encourage people around the world to think about what it takes to be an entrepreneur, and how we can create an environment where innovation and creativity can thrive. The EY Entrepreneur Of The Year and EY World Entrepreneur Of The Year programs are a natural extension of this commitment.

EY World Entrepreneur Of The Year Award winners

2017 **Murad Al-Katib** | AGT Food and Ingredients Inc., Canada

2016 **Manny Stul** | Moose Enterprise, Australia

2015 **Mohed Altrad** | Altrad Group, France

2014 **Uday Kotak** | Kotak Mahindra Bank Limited, India

2013 **Hamdi Ulukaya** | Chobani, Inc., US

2012 **Dr. James Mwangi** | Equity Bank Limited, Kenya

2011 **Olivia Lum** | Hyflux Limited, Singapore

2010 **Michael Spencer** | ICAP plc, United Kingdom

2009 **Cho Tak Wong** | Fuyao Glass Industry Group, China

2008 **Jean-Paul Clozel** | Actelion Pharmaceuticals, Switzerland

2007 **Guy Laliberté** | Cirque du Soleil, Canada

2006 **Bill Lynch** | Imperial Holdings, South Africa

2005 **H. Wayne Huizenga** | Huizenga Holdings, US

2004 **Tony Tan Caktiong** | Jollibee Food Corporation, Philippines

2003 **Naryana N. R. Murthy** | Infosys Technologies, India

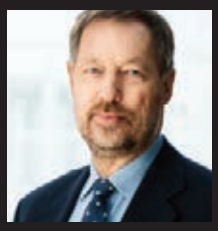
2002 **Stefan Vilsmeier** | BrainLAB, Germany

2001 **Paolo della Porta** | SAES Getters, Italy

EY Family Business Award of Excellence 2017-18 winners and finalists










Scott Hutchinson	**Hutchinson Builders**	Australia
Jean-Pierre Wuytack	**Vandersanden Group**	Belgium
Luiza Helena Trajano	**Magazine Luiza**	Brazil
Debbi Conzelmann	**King Cole Ducks**	Canada – Ontario
Stephen Bronfman	**The Bronfman Family**	Canada – Québec
Niels Peter Louis-Hansen	**Coloplast A/S**	Denmark
Harri Broman, Eero Broman and Väinö H. Broman	**Broman Group**	Finland
Patricia Brochard, Marie-Laurence Gouraud and Bénédicte Mercier	**Sodebo**	France
Dr. Andreas Sennheiser and Daniel Sennheiser	**Sennheiser**	Germany
Marco Nocivelli	**Epta S.p.A.**	Italy
Ad Wintermans, Boris Wintermans and Jonas Wintermans	**Royal Agio Cigars**	The Netherlands
The Whittaker Family Pictured: Matt Whittaker	**J.H. Whittaker & Sons, Ltd.**	New Zealand

Teodoro Ortiz Tocre	**Incasur**	Peru
Mohan Vaswani	**Tolaram Group**	Singapore
Milan Lukić and Marko Lukić	**Lumar IG**	Slovenia
Ho-Chan "Travis" Kang and Byung-Joong Kang	**Nexen Tire Corporation**	South Korea
María Teresa Rodríguez Sainz-Rozas and Juan Miguel Martínez Gabaldón	**Galletas Gullón**	Spain
Karin Bodin and Anna Borgeryd	**Polarbröd**	Sweden
Max Renggli	**Renggli AG**	Switzerland
The Rubin Family – Andy Rubin	**Pentland Group**	United Kingdom
Neal Schuman	**Schuman Cheese**	United States
Jeff Broadhurst	**Eat'n Park Hospitality Group, Inc.**	United States (finalist)
Kari Rihm	**Rihm Family Companies**	United States (finalist)
Satya Tiwari	**Surya**	United States (finalist)












Europe

"European family firms have become more value- and impact-based, focusing on how they can contribute to a better Europe."

At EY we love to celebrate entrepreneurial success, but questions remain on Brexit and its potential impact on Europe's financial and cultural future.

But be assured that, regardless of the wider political and economic environment, family businesses will continue to be crucial to the dynamism and growth of our economies.

Family businesses' role in the wider community is well-known, but European family firms have taken this a step further and become more value- and impact-based, focusing on how they can contribute to a better Europe. This is particularly the case with many next generation leaders, including those European companies we honor here, each profiled in these pages: Vandersanden Group, Coloplast A/S, Broman Group, Sodebo, Sennheiser, Epta S.p.A., Royal Agio Cigars, Lumar IG, Galletas Gullón, Polarbröd, Renggli AG and Pentland Group.

Also of note is that European family businesses are becoming less conservative in how they embrace outside finance. This is helped by the continued low-interest environment, which means borrowing from banks may be cheaper than self-financing, and increased interest in private equity-type structures, which opens the door to more long-term financing options. Nevertheless, Europe's family businesses are generally not considering raising stock exchange listings, as they would lose partial control and have to adhere to a new set of governance structures.

Of course, the shortage of skilled labor continues to be a problem, which in the short term means we will continue to look to immigrants to fill the workforce gaps. But as of today businesses have made little progress addressing the skill shortage, and that is holding back growth.

Europe's family businesses face many challenges, and they need government support so they can do what they do best: create great products and services, and employ millions of people in the process.

Helena Robertsson
EY EMEIA Family Business Leader
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Europe

Belgium

Jean-Pierre Wuytack

Vandersanden Group

Founded: 1925

An entrepreneurial spirit lives within the Vandersanden family. It all started in 1925 in Spouwen when Jacques Vandersanden created a small brickyard with a field kiln and a field press. Three years later, by building a ring kiln, he laid the foundations of an industrial brick-producing factory.

And the second generation, led by Constant Vandersanden, capitalized on innovation and growth by relentlessly but cautiously improving, modernizing the original site and acquiring other brick factories.

"We have always worked step by step, but we have never done too much," says Jean-Pierre Wuytack, CEO of Vandersanden Group. "We remain flexible, but we do not want to be a giant with feet of clay." This vision is set out in the family charter to which all the children and grandchildren of Constant Vandersanden adhere.

Today, Vandersanden Group is led by the third generation and still run by two sons-in-law of Constant, while the fourth generation already possesses the shares and some members hold operational positions. Thanks to a solid long-term vision, a strong and profitable business model, and the uncompromised respect of the family values, Vandersanden Group has become the largest brick-producing family business in Europe (550 million bricks per year) and a leading international player in the construction market.

Throughout its journey, the business has remained faithful to its "People, Planet & Profit" policy, which places a family corporate culture of integrity and humanity, innovation, sustainability and steady financial performance at the center of its operations. "We're proud of what we've achieved so far, and our customers are an integral part of our story," Jean-Pierre says.

3 Generations

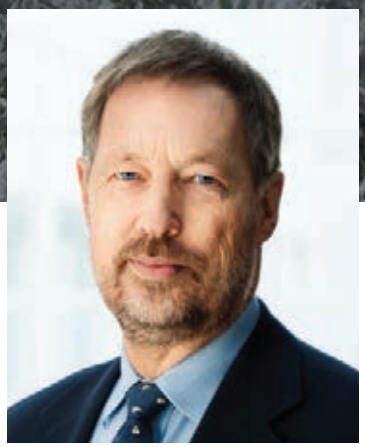
650 Employees

9 Production sites in Europe

4 Sales offices in Europe

US$209m Revenue after acquisitions

Spouwen
Belgium



Denmark

Niels Peter Louis-Hansen

Coloplast A/S

Founded: 1957

The Coloplast story begins with a woman's love and concern for her sister. Elise Sørensen's sister Thora was afraid to go out in public following her ostomy operation, fearing her stoma might leak. Elise, a nurse, had an idea to help not only Thora but thousands more: the world's first adhesive ostomy bag.

Using this concept, Aage Louis-Hansen, a civil engineer and plastics manufacturer, and his wife, Johanne, a nurse, created the ostomy bag. This simple solution makes an immeasurable difference: it helps people to live the life they want to lead.

Coloplast continues to contribute to society, developing products and services that aid people with very personal medical conditions. This is a central part of the company's mission: "making life easier for people with intimate health care needs." The business, which is now global, includes ostomy care, continence care, wound and skin care, and urology care.

Although Coloplast is listed on the Copenhagen Stock Exchange, the family is still involved. Niels Peter Louis-Hansen, second generation, is Deputy Chairman of the Coloplast Board and continues the family legacy in his role as Chairman of the Aage og Johanne Louis-Hansens Fond, a foundation that supports arts and culture, research and education, and social and charitable initiatives.

Coloplast remains one of the world's most profitable medtech companies. In 2016–17, the company delivered 7% organic growth in a market growing by 4%–5%, and revenue increased by 6%.

11,000 Employees

6% Annual growth

US$2.2b Revenue

Humlebaek
Denmark

Europe

Finland

Väinö H. Broman, Eero Broman and Harri Broman

Broman Group

Founded: 1965

Finnish company Broman Group is run like a well-oiled machine: what started as a local auto retailer is now among the country's 500 largest companies.

Broman Group's journey started in 1965, when Väinö H. Broman opened a small store in Joensuu, Finland, that initially sold Datsuns and Dodges to customers in the North Karelia region. Years later, the retailer made a strategic pivot: sales of spare parts were strong drivers of its performance, prompting a shift in focus. This paid off, and in 1977, Broman Group ventured outside the region with a second location.

Starting in the 1980s, the company revved up its expansion efforts, acquiring other businesses and establishing new locations. Its largest transaction was the 2007 acquisition of Motonet, a national chain that sells parts, tools and other goods to motorists, bikers, boaters, fishing enthusiasts and home renovators.

Broman Group also owns AD Varaosamaailma, a car parts and tools retail chain whose locations have adjacent car repair shops. Broman Logistics, which serves the two chains, and BG Commercial Properties, which focuses on real estate management, round out the group's portfolio.

Broman Group is very proud of its Finnish heritage. It has always donated to good causes, supporting youth and children, culture, sports and veterans over the years.

Throughout all of this, Broman Group has remained a family business. Starting in the mid-1990s, Väinö shifted management responsibilities to sons Harri (who became CEO) and Eero (who took over as Chairman of the Board when Väinö stepped down). Under the second generation's leadership, the company has continued what has become a tradition for the business: solid growth.

US$405.7m	Sales
1,500+	Employees
31	Motonet outlets
26	AD Varaosamaailma outlets

France

Patricia Brochard, Marie-Laurence Gouraud and Bénédicte Mercier

Sodebo

Founded: 1973

Collaboration is a main ingredient at French food giant Sodebo. That's because the company's three co-presidents are more than partners – they're sisters: Patricia Brochard, Marie-Laurence Gouraud and Bénédicte Mercier.

The three took over the reins from their parents, Simone and Joseph Bougro, in 2000. Those two artisans had set up a delicatessen in 1960 in Saint-Georges-de-Montaigu before expanding the business to an industrial scale in the 1970s.

Sodebo has conquered the pizza market in France, with around 100 million pizzas produced last year. It also dominates the markets for ready-to-eat pasta dishes, prepackaged sandwiches and prepared salads. Upstream of the finished-product stage, Sodebo controls most of its production of cold meats and other deli items, as well growing its own salad ingredients.

"Our strategy consists of reconciling artisanal quality, which represents the company's origins, with quantity," Patricia says. "That's not a paradox!"

Within the family-run board of directors, Bénédicte, Marie-Laurence and Patricia have split tasks according to personal affinities. Family governance "is distinctive but also a strength; at heart, none of us wanted to assume leadership on her own," Patricia says.

"The keyword is mutual support," she adds, emphasizing the female nature of the group's governance. "The notion of power is naturally different, with a collaborative aspect."

Sons-in-law Jean-François Brochard and Gaël Gouraud have also joined as managing directors. And the third son-in-law, Francis Mercier, is an architect who designs the buildings dotted about "Sodeboland," the 120-acre industrial estate.

2,144 Employees

US$478m Annual revenue

Vendée
France

Europe

Germany

Dr. Andreas Sennheiser and Daniel Sennheiser

Sennheiser

Founded: 1945

Sennheiser is shaping the future of audio with a vision built on more than 70 years of innovation culture and a dedication to excellence that is deeply rooted within this family-run company. Since 2013, Co-CEOs and brothers Andreas and Daniel Sennheiser have been the third generation of the Sennheiser family to lead the company, which produces headphones, microphones and wireless transmission systems. In addition to creating unique audio experiences for consumers the world over, the company's professional products on stage and in the studio help to capture the creativity and performances of artists such as Adele, Pink and Ed Sheeran.

The Sennheiser brothers' collaboration is a fusion of distinct – but harmonious – strengths. After joining the company, Andreas focused on lean management and strategic supply chain design, while Daniel built the Strategic Innovation department. While the two are different, they both inherited a spirit of innovation from their grandfather, founder Fritz Sennheiser. "He was permanently dissatisfied with the status quo in terms of creativity," Andreas told *Manager Magazin* in January 2018. This desire for fresh ideas still permeates Sennheiser, which has four R&D centers worldwide.

Sennheiser's corporate culture also echoes the value placed on innovation, independence and collaboration. Management works in an open space, even sharing desks, as do employees at the Innovation Campus. The dual-CEO structure itself reflects Sennheiser's commitment to bucking convention. As Daniel explains, with the company's independent status comes an unshakeable dedication to its customers and to the long term.

All of this has struck a chord with both customers and the industry: Sennheiser has been honored at the Primetime Engineering Emmys and Oscars. But Sennheiser won't rest – the future of audio awaits.

2,725 Employees

4 Research labs worldwide

Wedemark
Germany

Italy

Marco Nocivelli

Epta S.p.A.

Founded: 2003

Many say that seven is a lucky number. The Nocivelli family, who runs the commercial refrigeration products company Epta S.p.A., just might agree. What started as a collection of European leading autonomous brands is now a US$1b holding company boasting seven brands and a presence on several continents.

Long before Luigi Nocivelli established Epta in its current form in 2003, the Nocivellis owned and had acquired companies in various sectors. His career began after World War II when he went to work in his father's workshop, which he later developed into a leading electrical appliance company, Ocean. He became the CEO of Ercole Marelli in the 1970s, where he nurtured a dream of relaunching Italy's electromechanical industry. He later became the prime mover behind a 20-year success story, creating a full-fledged electrical appliance empire. In the new millennium he founded a large, integrated holding organization. Luigi named it Epta, Greek for "seven," in honor of his seven sons.

Current President and CEO Marco Nocivelli, Luigi's son, continues the family traditions of perseverance and business savvy. Under his leadership, the company is thriving: it increased revenues by US$283m in just three years and has a presence in more than 40 countries. This success is due both to Marco's strong ability to plan, something he learned from his father, and to his ability to work with teams of highly skilled managers.

Epta is committed to achieving new goals in terms of projects, research and production processes, along with significant investments in innovation – all with the aim of strengthening the business.

11	Number of factories
40+	Number of countries in which Epta has a direct presence
US$1.1b	Revenue
5,000	Employees worldwide

Europe

The Netherlands

Jonas Wintermans, Ad Wintermans and Boris Wintermans

Royal Agio Cigars

Founded: 1904

In 1904, Jacques Wintermans received a small loan from his father to start A. Wintermans & Sons, a cigar-making business.

The business did so well that in 1926, a second generation of Wintermans, Jacques' sons, opened multiple factories in Duizel. Changes in the years to come included opening factories in Belgium, Sri Lanka and the Dominican Republic and a new name, Agio, which means "added value." The name gained an embellishment in 2004: from "Agio" to "Royal Agio," a tribute from the Queen of Holland in honor of the company's centennial.

In the 1970s, the family realized that to grow the business, they would need to diversify. Thus, ATD Machinery was born, and the subsidiary is now the global market leader in cigar-industry equipment.

It seems only natural that the Wintermans family, being disrupters themselves, would also join the innovators in the industrial high-tech area of Brainport Eindhoven. And as co-creators of a 3D printer for metals, the Wintermans family introduced Additive Industries. Its customers include Airbus, BMW and the Sauber Formula 1 team.

And the success of Royal Agio Cigars continues. The company is exporting to 100 countries and is producing 770 million cigars a year, and it recently opened a sales office in the US. But it remains in the same village, run by a family that continues to think ahead and to strengthen each other, which is the way it all began: with a helping hand, from father to son.

2,500 Employees

100 Countries that are export destinations

Duizel
The Netherlands

Slovenia

Milan Lukić and Marko Lukić

Lumar IG

Founded: 1993

If home is where the heart is, then the Lukićs are at home when they are working. Father-and-son duo Milan and Marko Lukić proudly run Lumar IG, which constructs prefabricated houses that meet standards of nearly zero-energy buildings (NZEBs). Marko's mother, a co-owner, and Milan's sister, Head of Finance, are also part of the leadership team.

From day one, confidence has been a key component of the company's foundation. Milan – founder and current Procurator – believed in the future of prefabricated construction so strongly that he used almost all his assets to start Lumar IG in 1993. And as early as 2007, the Lukićs predicted that passive technologies – "which others initially made fun of," Marko says – would find a home in the industry. They did: while the approach was primarily used in Europe for a time, interest in it has steadily grown elsewhere.

Prudence is also crucial at the company. Currently, Lumar IG has no loans or payables to subcontractors or partners, and it meets its financial obligations before they are due. Because of this, it continually invests in development. "I have always believed that it is better to keep the money in the business account than in my personal account," says Milan, who taught his son to do so as well.

Even with conservative strategies – "We have never aimed to accelerate our growth," Milan says – the company has seen increasing success both inside and outside of Slovenia. Marko attributes this to several things: "our own hard work and knowledge, excellent employees and long-term partners."

72 Employees

US$17m Annual revenue

Maribor
Slovenia

Europe

Spain

María Teresa Rodríguez Sainz-Rozas and Juan Miguel Martínez Gabaldón

Galletas Gullón

Founded: 1892

Galletas Gullón is far from a cookie-cutter company. Its origins date back to 1892, when founder Manuel Gullón worked with local businessmen to introduce a product that at the time was unknown in Spain: the biscuit. Since then, Galletas Gullón has become one of Europe's most prominent cookie and biscuit manufacturers and a leading force in Spain's food industry. The key ingredients for the company's prosperity include a forward-looking strategy that focuses on continuous innovation, R&D (through close collaborations with universities and research centers), reinvestments of profits and internationalization.

In 1983, current Chairwoman María Teresa Rodríguez Sainz-Rozas was driven into her leadership position when her husband, José Manuel Gullón González – third-generation leader of Galletas Gullón – died. Her main goal at the time was to transform the company. Alongside current CEO Juan Miguel Martínez Gabaldón and Gullón family members, that's just what she did. Gradually, the company grew its offerings from traditional biscuits to include a class of "health biscuits" (fiber, low-calorie, gluten-free and organic are just four of the varieties), introducing another new segment in Spain.

However, the journey hasn't always been smooth for Galletas Gullón, whose challenges have included periods of poverty. But Galletas Gullón keeps rising to the occasion. The result? Sweet success, as evidenced by the widespread recognition and many awards that the company and its family leaders have earned.

200+	Varieties of biscuits (cookies)
120+	Countries with a Galletas Gullón presence
US$370m	2017 revenue

Aguilar de Campoo, Palencia
Spain

Sweden

Karin Bodin and Anna Borgeryd

Polarbröd

Founded: 1879

Swedish baker Johan Nilsson opened shop in 1879, in a little town called Älvsbyn. Johan's home was in the south, but he had fallen in love with this place near the polar circle. It was there that he laid the foundation for the family business, now known as Polarbröd and currently in the fifth generation.

It was Johan's grandson Gösta Nilsson and his wife, Greta, who gave Polarbröd its start. Tinkering with a family recipe, they created a rye bread that became such a success that they had to invest in a larger space. The couple also began distributing the bakery's traditional Northern Swedish bread outside the region. To keep their product fresh all the way to the table, the Nilssons did what Swedes had done for centuries to preserve food: they froze it.

Polarbröd, now owned by the children and grandchildren of Greta and Gösta Nilsson, is run by the principal owners, sisters Karin Bodin and Anna Borgeryd, who focus strongly on sustainability issues.

"The goal is for Polarbröd to become a socially, economically and environmentally sustainable business by 2022," Anna says. Polarbröd's electricity is generated by its own wind turbines.

And the company will not use preservatives. "From the bakeries, the bread is transported to local frozen storage facilities around Sweden in an unbroken freezer chain, and the bread is only thawed on its way to the store," Karin says. It is a progressive approach grounded in times long before Johan Nilsson was drawn to the icy north.

US$1.1b Revenue

400 Employees

Europe

Switzerland

Max Renggli

Renggli AG

Founded: 1923

For four generations, wood has been the foundation of success for the Renggli family. The roots of their company, Renggli AG, date back to 1923, when Gottfried Renggli founded it as a local carpentry business. Since then, it has branched out to become a major provider of timber construction systems in Switzerland.

Today, under the leadership of owner and longtime CEO Max Renggli, who took control of the company with his brother Beat Renggli in 1991, Renggli AG continues to carve out a name for itself as a specialist in energy-efficient timber construction. Adding to the company's solid name is its status as a pioneering member of the Minergie Association, which sets construction standards for new, modernized buildings that consume little energy.

With constant progress as one of its core values, Renggli AG continuously innovates through technology and training while it constructs groundbreaking projects. For example, in 2000, the business built a solar house within just 24 hours. Years later, it completed the first six-story Minergie timber construction project in Switzerland.

Renggli AG prides itself on being a family-run business that applies professionalism to all its processes, keeps in mind the environmental and social impacts of its business, and communicates openly with all stakeholders.

Max says, "What distinguishes our company is that we work with a variety of clients from different segments, tailoring the projects to their specific needs while generating and implementing new ideas that arise from this exciting exchange."

In addition, Renggli AG highly values the company-wide passion for moving the industry forward, stating: "Run-of-the-mill is not good enough for us."

210 Employees

Schötz
Switzerland

United Kingdom

The Rubin Family – Andy Rubin (pictured)

Pentland Group

Founded: 1932

A third-generation family-owned business, Pentland is the name behind some of the world's leading sports, outdoor and fashion brands, including Berghaus, Speedo, Mitre, and Red or Dead.

The company's founders, Berko and Minnie Rubin, were immigrants from Eastern Europe. The couple established a wholesale business in Liverpool, The Liverpool Shoe Company, in 1932 with little more than £100 in base capital. The company went public in 1964 and changed its name to Pentland in 1973. In 1981, their son Stephen Rubin put Pentland a giant step ahead by buying a 55% stake in a small athletic footwear brand called Reebok USA for US$77,500.

Pentland went private in 1999, once more becoming a fully owned family business, with a third generation involved with Stephen's son, Andy Rubin, as CEO of the group's brand management division, Pentland Brands. In 2015, Andy was promoted to the role of Chairman of Pentland Brands.

The company credits the founders for its sense of adventure and willingness to take risks to keep the business evolving and growing. The family has continued to expand its portfolio, investing in the future of Pentland, which experienced 61% net income growth in 2017. Their forward-looking approach helps to create business security and to fuel plans for further international expansion.

Currently, the company has annual sales of US$3b across 200 countries, and its brands are familiar to people all over the world. It truly has been building a family of brands for the world to love generation after generation.

US$770m	Proceeds from Reebok shares
US$1.5b	Gross profit
78	Subsidiaries
19,000	Employees
20	Number of countries in which Pentland has offices

London
United Kingdom

Latin America

"If Latin American family businesses are to prosper, they will need to start trusting outsiders to guide them and even to manage their businesses."

Latin American countries can see economic growth vary dramatically from year to year as they make the transition from developing to fully developed economies. It is often family businesses, emphasizing long-term goals over short-term profit, that serve as the drivers — they are responsible for at least two-thirds of the region's private sector activity.

Although companies such as Magazine Luiza and Incasur, both profiled here, exemplify sound corporate and family governance, many family businesses still have a way to go to match their high standards. Of course, sometimes that is not a problem, as family businesses can thrive and innovate without formal governance structures, but better governance, which often improves performance, generally needs more attention.

Few of the region's family businesses have succession plans. Those that do typically rely on the old-fashioned approach of passing on the business to the eldest son. But that is changing. More women are taking on senior corporate board roles, and family businesses are taking note.

The role of non-family C-level executives in family businesses in the region is still in its infancy, and reform is needed here. If Latin American family businesses are to prosper in the years ahead, they will need to abandon that approach and start trusting outsiders to guide them and even to manage their businesses.

The entire corporate sector in the region is concerned about external changes, such as the shifting US tax code, Brexit, climate change and the slowdown of economic growth in China, and these developments have not helped foster certainty on a global level. Those dependent on export markets are particularly worried.

But sometimes, these uncertainties can lead to greater innovation and entrepreneurship, and those who embrace it will continue to flourish, regardless of the head winds they experience in the future.

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Latin America

Brazil

Luiza Helena Trajano

Magazine Luiza

Founded: 1957

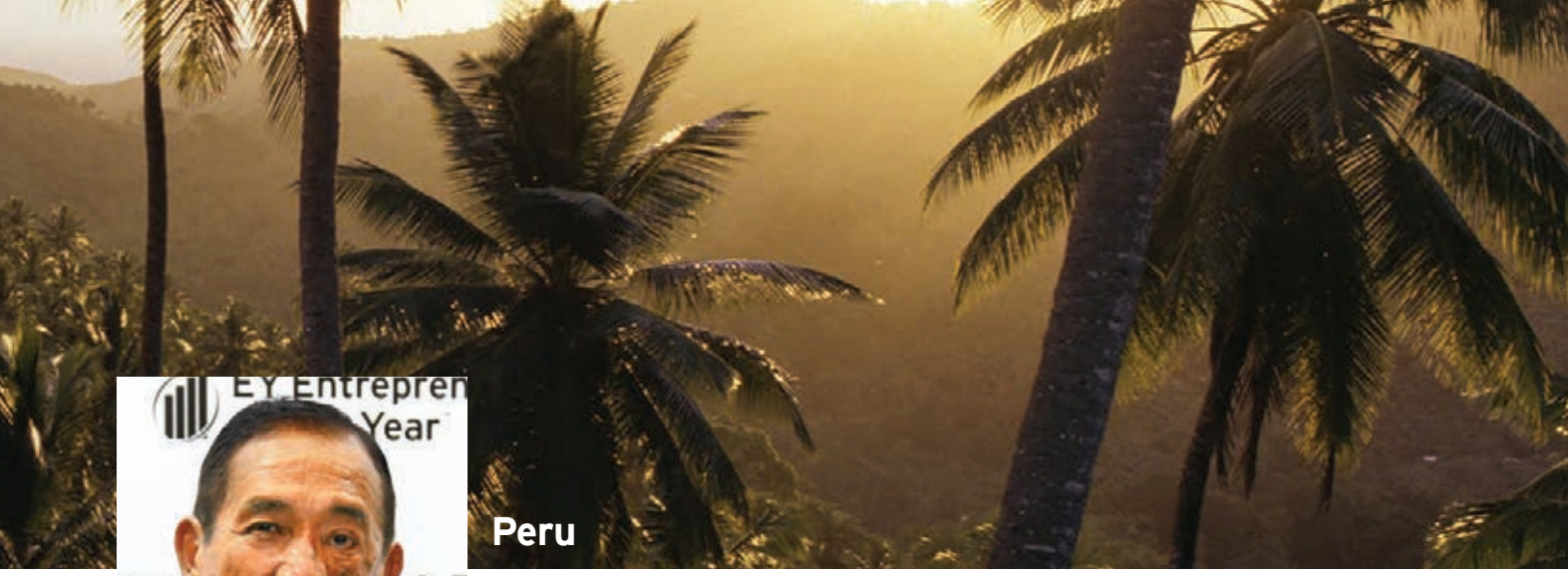
Magazine Luiza began in 1957 as a small gift shop in the countryside of São Paulo. Luiza Trajano and her husband, Pelegrino José Donato, had an ambitious goal: to grow a retail chain that would provide jobs for their entire family. The business grew steadily, and in the early 1990s, Luiza Helena Trajano, Luiza's niece, who had started working in the company when she was only 12, assumed leadership. Luizinha, as she was affectionately known, spearheaded a period of rapid growth that would launch Magazine Luiza into the ranks of Brazil's largest retailers.

Today, Magazine Luiza is run by Luiza's son Frederico, who brought the spirit of Silicon Valley to the company's operations, turning a 60-year-old traditional retailer into a tech powerhouse. Magazine Luiza is now an omnichannel digital platform that seamlessly integrates online and offline sales, while retaining a human touch. The company has more than 860 stores and 10 distribution centers in 16 states, offering everything from appliances to diapers to beauty products. The company also has a significant financial services business in the form of Luizacred, its consumer finance arm, and Luizaseg, its insurance arm.

Because of her important achievements in retailing, Luiza Helena was recently inducted into the World Retail Hall of Fame during the World Retail Congress 2018. Innovation, creativity and a belief in putting people first are at the core of Magazine Luiza's culture, earning it a place, for 20 consecutive years, on the list of Brazil's Best Companies to Work For by the Great Place to Work Institute.

787	Physical stores
9	Number of distribution centers in 16 states
20,000+	Employees
45m	Size of customer base
40,000+	Product models

São Paulo
Brazil



Peru

Teodoro Ortiz Tocre

Incasur

Founded: 1971

Teodoro Ortiz Tocre grew up in a family passionate about business: his parents bought a mill and started a local enterprise producing and commercializing Andean grains and chocolate bars in the market of the city. Thus, before he learned to read or write, Teodoro was helping them to sell their products.

This involvement made Teodoro observant and intuitive; for example, as a teenager, he discovered that pearl quinoa had great potential if it was sold dry and packed. He also noticed the importance of a brand, encouraging his mother to offer chocolate bars with a label to differentiate their products. This is how Sol del Cusco, the preferred chocolate brand for a Peruvian Christmas, was born.

Motivated by the success of their products and a decision to bring Andean crops to each Peruvian table, Teodoro turned his father's mill into a company and founded Incasur in 1971. In the 1980s, Teodoro traveled to Mexico, where he learned about industrialized breakfast foods. Back in Peru, he launched Kiwigén, a processed breakfast cereal made from quinoa and kiwicha (amaranth). Today, Kiwigén is one of Incasur's most emblematic products and a sales success.

Incasur has plants in Lima and Juliaca that produce chocolate, milk modifiers, cereals, confectionery and milled grains. Its products are exported to six countries, including South Korea.

Teodoro is proud to be one of the main promoters of Andean crops in Peru. Before the foundation of Incasur, quinoa and kiwicha were poorly known and consumed in the country. He is also committed to the growth of this sector, providing agricultural and commercial advice to the farmers with whom he works.

2 Production plants

6 Countries to which Incasur exports

5 Product lines: chocolate, milk modifiers, cereals, confectionery and milling

Lima
Peru

Asia-Pacific

"Succession continues to be a big issue, as a higher percentage of family businesses are going through a transition from the founder generation to the next."

Many Asia-Pacific economies are dominated by family businesses. Even China, which transitioned to a market-based economy in only the last 40 years, is witnessing their rise.

The fact that a family business culture is so strong presents many opportunities, not least of which is greater cooperation. Because family businesses often share similar values, many are increasingly looking at ways to work together to facilitate growth. That trend will only continue.

Family businesses in the Asia-Pacific region don't necessarily go about innovation differently from those in other parts of the world. As all of this year's Family Business Award of Excellence winners show — including Scott Hutchinson of Australia, the Whittaker Family of New Zealand, Mohan Vaswani of Singapore, and Ho-Chan "Travis" Kang and Byung-Joong Kang of South Korea — innovation is business-specific and rarely based on regional differences. But a few things stand out, such as an outward-looking approach and the desire to gain a global share of the markets in which they operate.

Succession continues to be a big issue for family businesses, and in this region there is a higher percentage of family businesses going through a transition from the founder generation to the next. In these cases, one of the challenges is that the founder has no predecessor to offer guidance. Another challenge is that it is sometimes seen as culturally insensitive to talk about succession; it is as though you are wishing bad luck to the person you may replace.

The need for improved corporate governance, which would enable family businesses to optimize their strategy and growth and attract and retain non-family talent, is another issue. Despite challenges around succession and governance, family businesses continue to prosper and provide the bedrock for the region's economies.

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Asia-Pacific

Australia

Scott Hutchinson

Hutchinson Builders

Founded: 1912

Hutchinson Builders, Australia's largest private construction company, began in 1912 as a one-man operation. Today the family-owned business, known as "Hutchies," is in the hands of the fourth generation and thriving. Scott Hutchinson was the Managing Director and Jack Hutchinson, his father, Chairman from 1992 to 2001. Greg Hutchinson was appointed Managing Director in 2002, and Scott became Chairman.

In 2018, the company saw its revenue grow to US$2.8b, and it entered the top 10 of IBISWorld's Top 500 Private Companies list for the first time. And while Hutchies' primary focus has been Australia, it has done some overseas work, including projects in New Zealand, Japan and Canada.

The family continues to safeguard their values and proud company heritage, preparing fifth-generation member Jack Hutchinson Jr. to lead the business. The firm's forward-thinking approach has positioned it as a vibrant, innovative industry leader and a good corporate citizen.

Today, 1 in 12 of Australia's Green Star sustainability-rated buildings were built by Hutchies. And the company has taken an active role in improving lives. Its Statim-Yaga (start-work) program is part of an employment initiative to increase Indigenous participation in the workforce. Hutchies has set a goal of helping 350 Indigenous Australians get jobs in the construction industry by 2019.

Soon, the company will finish building a house that will be auctioned to fund a water project for families in Kiamichi, Kenya. It's easy to see that Hutchies' core values remain embedded in the idea of investing in relationships, taking care of each other and the community, and working toward a common goal.

7,000+ Projects completed

15 Offices

1,600 Employees

Brisbane
Australia

New Zealand

The Whittaker Family – Matt Whittaker (pictured)

J.H. Whittaker & Sons, Ltd.

Founded: 1896

A family-owned confectionery manufacturer specializing in chocolate, Whittaker's has been in business for well over a century. Through good times and bad, world wars and rationing, Whittaker's has become an iconic Kiwi company, and it is consistently voted New Zealand's most trusted brand.

The company was founded by J.H. Whittaker in 1896. Having worked in the cocoa department of a large confectioner in his native UK before emigrating to New Zealand, J.H. made and sold his first chocolate from his home kitchen. As the business grew, his sons officially became part of the team.

When J.H. died in 1947, his children took up the mantle, and the business continued to grow. In the 1950s, Maurice Whittaker developed the famous Peanut Slab chocolate bar, an ever-popular Kiwi favorite whose recipe has never been changed. By the 1970s the third generation was in charge, with Maurice's sons, Andrew and Brian, taking the helm. Thirty years later, Andrew's children, Matt and Holly, became the fourth generation to join the business.

Today, Whittaker's exports between 25% and 30% of its production to Australia, Southeast Asia, China and North America. Product diversification and innovation have also taken a front seat, with Whittaker's creating collaborations with other beloved Kiwi confectionery classics.

Throughout its history, the company has remained faithful to J.H. Whittaker's belief that the best chocolate could only be made from scratch. Commitment to a fair supply chain adds to Whittaker's quality. The company hand-selects sustainable cocoa beans from Ghana, and the factory is run on 100% renewable energy sources of wind and water.

70 Products

24 Flavors

160 Employees

Porirua
New Zealand

Asia-Pacific

Singapore

Mohan Vaswani

Tolaram Group

Founded: 1948

What do noodles, rugs and toilet paper have in common? All are produced by Tolaram Group brands. Since 1948, when Khanchand Vaswani founded the company – a textile retailer and tailor shop then – it has evolved into a conglomerate operating in sectors such as consumer goods, digital services and financial services. With operations in Europe, Africa and Asia, Tolaram Group comprises 18 brands and over 10,000 employees, and it exports products to more than 75 countries.

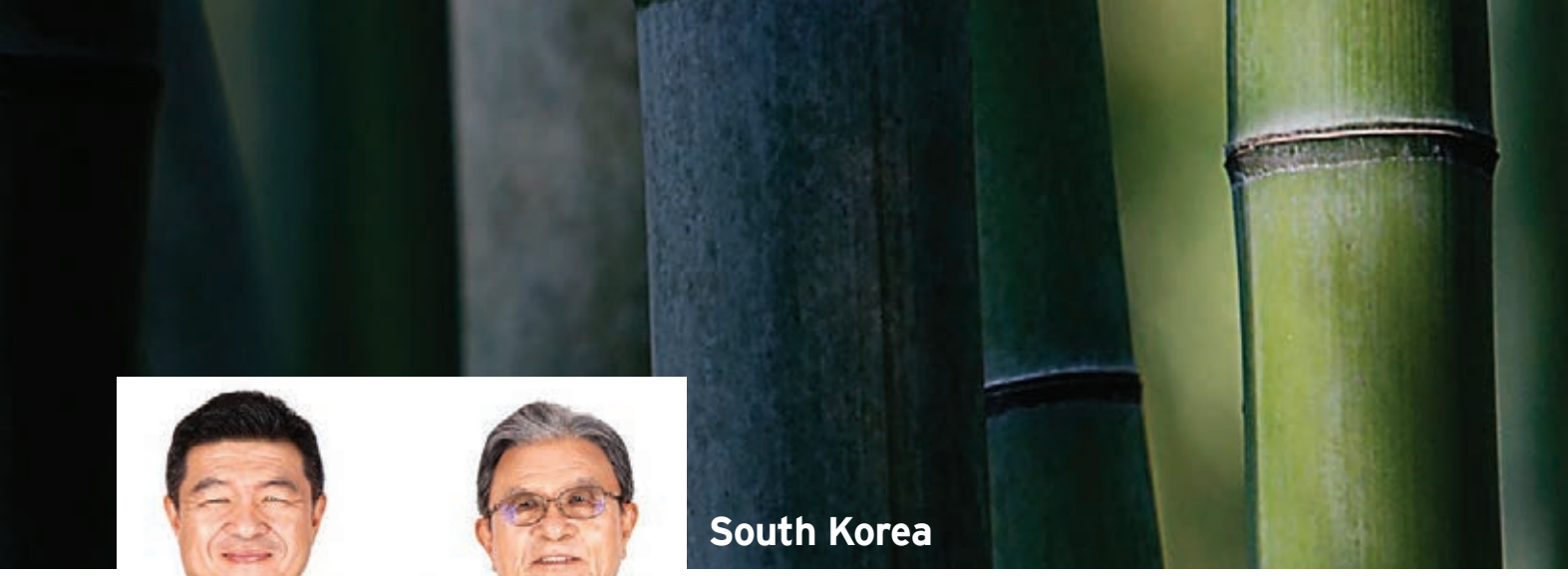
Helping lead the company as Chairman is Khanchand's son Mohan Vaswani, who joined the family business in 1957. Under the guidance of Mohan and a management team that also includes his sons, nephews and cousins, the company is focusing on growing its consumer goods and digital services segments.

Tolaram Group, which has strong philanthropic roots, also focuses on giving back to society. Seth Tolaram, Mohan's grandfather, was a physician known for serving the sick in his community. Khanchand and his wife, Mdm Ishwari, followed in his footsteps and were known for building a corporate culture of kindness, which prompted many Tolaram Group employees to have long tenures. As children, Mohan and his siblings inherited this dedication to service, helping their family donate food and basic necessities to underserved communities. And in 1999, the Tolaram Foundation was established to support women's empowerment, underprivileged children and other causes.

As Tolaram Group helps its community thrive, the company itself is prospering. Its revenue in 2016 was upward of US$800m. But it's not money that guides the organization. What drives Tolaram Group are its values: trust, respect, commitment, courage and humility.

18	Brands
10,000+	Employees
75+	Number of countries to which Tolaram Group exports
US$800m+	Revenue

Singapore



South Korea

Ho-Chan "Travis" Kang and Byung-Joong Kang

Nexen Tire Corporation

Founded: 1942

The name "Nexen" is a combination of the words "next" and "century," reflecting a company that, since 1942, has never stopped driving toward the future and is always moving forward.

Nexen Tire Corporation began leading the pack the day it sprang to life as Heung-A Tire Company, becoming South Korea's first tire company. Today, it is the nation's leading family-run corporation, led by Byung-Joong Kang, the company's Chairman, and his son Ho-Chan "Travis" Kang, who was named CEO in 2016.

Byung-Joong had a knack for seeing opportunity where others might see roadblocks. Although he started in the tire business making recycled tires and tire tubes, he was determined to manufacture new tires – and the myriad associated tire-related products. His plan gained momentum when he took over a company called Woosung Tire in court receivership.

"Despite the low productivity and high debt ratio, due to their previous collaboration with Michelin, their quality was high and the employees possessed advanced technique along with strong devotion to their company," he says. He had so much faith in the future that he then hired more people and invested heavily in R&D.

As CEO, Travis continues his efforts to increase global awareness and hone the brand's image by linking it with sports. Both are about dynamic movement, he says. The brand is associated with several clubs, from football in the UK to basketball in Turkey.

He also aims to strengthen brand loyalty with a customer-care service called Next Level, which focuses on services such as regular tire and vehicle inspection, enabling an extended relationship with customers.

4 Research facilities

4 Manufacturing facilities

140 Number of countries to which Nexen exports

6 Number of major brands Nexen supplies: Porsche, Fiat Chrysler, Volkswagen, GM, Renault-Nissan and Hyundai Kia

Yangsan
South Korea

North America

"Innovation is often at the heart of family enterprises. But that cannot lead to complacency."

We operate today in an environment of rapid change — continual reinvention and alliances to meet customer demands, new technologies seemingly daily, and the rise of online retail that has forever impacted commerce across industries and channels. Combined, these forces have changed the way businesses exist globally.

The challenge for any business is to foster a culture of innovation and, for family businesses, to ignite change and link that shift to succession. In North America, which has one of the most dynamic business environments in the world, innovation is often at the heart of family enterprises. But that cannot lead to complacency.

Innovation is easy to talk about, but it's tougher to make it happen — particularly for multigenerational family businesses, where the link to the first-generation entrepreneur inevitably fades. A passion to succeed (and sustain) is clearly demonstrated by our three North American winners: Debbi Conzelmann of King Cole Ducks, the Bronfman Family and Neal Schuman of Schuman Cheese.

Innovation is also linked to nurturing the talents of staff members from outside of the family, which has become a big issue around the world. In addition to focusing on obvious factors such as good compensation, benefits and working conditions, family businesses have the added advantage of being a desirable place to work — but they cannot afford to rely on this appeal alone when it comes to attracting and retaining top talent.

Family businesses are uniquely equipped to adapt to disruptive forces: it's one way they have survived for generations. Their long-term and growth-oriented focus, while remaining true to the family's mission and legacy, make them a competitive force to be reckoned with, now and in the future.

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North America

Canada – Ontario

Debbi Conzelmann

King Cole Ducks

Founded: 1951

Almost seven decades ago, the idea for King Cole Ducks (KCD) was hatched when hobby farmers Jim and Marg Murby noticed that they were consistently selling out of ducks at a local farmers market. This allowed the couple to distinguish themselves as farmers and, in 1951, they founded KCD, selling ducks from a truck at North York Farmers Market. Now, with the Murbys' granddaughter Debbi Conzelmann at the helm of the company as CEO and her three sisters in other leadership positions, KCD has achieved substantial growth and profitability as Canada's largest duck producer.

Getting to its current position was challenging at times. During the 1990s and 2000s, the company had to sell land and equipment to survive the lows of the business cycle. However, the family was game for turning obstacles into opportunities. The result was a more professionally run business: committee-driven decision-making gave way to more structured reporting roles, and family members had to explain why they deserved their roles.

And ever since Debbi became CEO, the company has become more efficient. A key factor behind this – and an example of how KCD's leadership advocates continuous skills development – was her completion of a two-year operations program at Harvard University. Debbi and her sisters have advised the incoming fourth generation to pursue career development before joining the business, with completion of post-secondary studies a requirement.

In addition to evolving as a business, KCD now has a prominent presence in its community, supporting causes such as youth athletics, education and cancer prevention.

3 Generations of family ownership

161 Employees

2 Processing plants

14 Farms

Stouffville
Canada – Ontario

Canada – Québec

The Bronfman Family – Stephen Bronfman (pictured)

The Bronfman family's beginnings as one of Montreal's most prominent business names dates back to 1924, when Samuel Bronfman started Distillers Corporation Limited, which would later become liquor giant Seagram. Since then, the family has gone on to build an empire of business and philanthropic endeavors, touching a diverse range of realms that includes sports, real estate, food, technology and entertainment.

The next generation of Bronfman entrepreneurs included Samuel's son Charles, who started the Claridge Investment Fund. The fund, today run by Charles' son Stephen, continues to search for and invest in promising ventures in Canada and abroad, and it has been at the forefront of flourishing Quebec companies. In 1968, Charles left an indelible mark on the sports landscape by securing the rights to the first-ever Major League Baseball franchise in Canada, the Montreal Expos. He was its majority owner for 23 years.

Through various philanthropic initiatives, the Bronfman family has supported causes aimed at promoting Canadian heritage, Jewish life, the state of Israel, the environment and education. Phyllis Lambert, Charles' sister, has been a cornerstone of the preservation of Montreal's architectural integrity. The family's generosity in Quebec and Canada stands within a class of its own.

Part of the Bronfman family's current portfolio is the Claudine and Stephen Bronfman Family Foundation. The foundation focuses on supporting emerging talent, with initiatives centered on the environment, modern art, education, entrepreneurship and Jewish life.

The Bronfman family's dedication to investing in entrepreneurs and supporting charitable causes continues to grow stronger. And it shows no signs of stopping anytime soon.

1889 Family immigrated to Canada

1924 Founding of what would become Seagram

2012 Charles Bronfman signs the Giving Pledge

Montréal
Canada – Québec

North America

United States

Neal Schuman

Schuman Cheese

Founded: 1945

Family roots run deep at Schuman Cheese, a fourth-generation business that has thrived as a diversified cheesemaker, processor and importer with CEO Neal Schuman at its helm.

Neal's grandfather Arthur Schuman, a salesman at an Italian food and cheese business, and his sons started the company in New York City in 1945 as cheese importers. As the World War II-era embargo on Italian products lifted, the Schumans aimed to share their passion for European cheeses with Americans.

In its early years, the company struggled with a lack of capital, fostering a spirit of entrepreneurship and creativity. To expand its sources of cheese, Schuman Cheese built partnerships with Italian emigrants in Argentina and Uruguay, ultimately becoming the largest US importer of South American cheeses.

Neal joined Schuman Cheese after college in 1972, focusing on expanding the company's imports of French cheeses, introducing new products such as condiments and licensing Schuman cheeses to restaurants. In 1986, as President, he refocused the company on its core competency of global cheese imports and production.

Key to this strategy was the acquisition of a Polish manufacturer, which enabled Schuman Cheese to enter the processing, food service and food ingredient sectors without having to build facilities.

Over the past decade, the company has grown an average of more than 10% annually. A critical element to their success, Neal says, stems from his family owning the entire company, which allows management to take the long view of operations and be responsive to customers and vendors.

1,210 Employees

100% Family ownership

6 Plants around the world

Fairfield, New Jersey
United States

Jeff Broadhurst finalist

Eat'n Park Hospitality Group, Inc.

Homestead, Pennsylvania
Founded: 1949

From its earliest days as a single-carhop restaurant, Eat'n Park Hospitality Group has focused on food, fun and family. Now it operates four restaurant concepts, a dining service and a catering company. All are united by Jeff Broadhurst's philosophy to treat employees and customers like family while fostering a culture of innovation, fiscal responsibility, integrity and accountability.

Jeff has been President and CEO since 2007, rising from his first job as a cook. He shook up the company's culture with deeply held beliefs about taking risks and trying new things. This attitude wasn't always shared by family members, but Jeff persevered and prompted significant growth at Eat'n Park in the hotly contested restaurant industry.

While competitors closed restaurants, Jeff launched new concepts, expanded in successful business divisions and fine-tuned operations in challenging ones. Today, the company serves 50 million guests annually, employing more than 9,000 people. In an industry with sky-high turnover, more than 400 employees have been with Eat'n Park for 25-plus years, thanks to its family culture.

Kari J. Rihm finalist

Rihm Family Companies

St. Paul, Minnesota
Founded: 1932

When Kari Rihm's husband died after a four-month battle with brain cancer, she was faced with a gut-wrenching choice to sell or take over the family's commercial truck business. Rihm Family Companies had been in her husband's family since 1932, but the franchise dealer contract wasn't in Kari's name. She decided to fight to keep the business in her family, with her at the wheel.

Without missing a beat, Kari was determined to chart a course for success. She aimed to grow and diversify the business so that it could thrive into the fourth generation. To capture more market share, Rihm launched RMC Truck Parts in 2016 to source parts more competitively, then acquired LTX, Inc. to expand the company into truck leasing and rental, thereby creating synergies between its dealership and leasing businesses.

In five years, Kari has more than doubled annual revenue and boosted profits by championing growth. She added new facilities, improved efficiency and forged deeper relationships with Rihm branches and customers around the world.

Satya Tiwari finalist

Surya

White, Georgia
Founded: 1976

Surya was on the verge of bankruptcy when Satya Tiwari joined his father's area rug distribution business. He shifted strategy and transformed Surya from selling carpets made in the family's plants in India to a business-to-business wholesaler of home decor.

Applying his analytical experience as an investment banker, Satya invested heavily in inventory, marketing and infrastructure while hiring new talent. He aimed to navigate Surya away from a sea of competitors by targeting independent furniture retailers instead of selling to rug and flooring stores. Satya also powered up e-commerce and added sophisticated digital portals ahead of the competition. This allowed Surya to broaden its distribution to a network of retailers, e-tailers and interior designers while rapidly growing revenue.

Operating in an industry with poor service models and a fragmented marketplace, Satya reshaped Surya into a true partner to customers to help them grow their businesses. The company added new product categories such as pillows, throws, wall decor and lighting, establishing Surya as a powerhouse in the flourishing home accessories sector.

What's on the minds of the world's largest family businesses?

The EY Global Family Business Survey 2018 uncovered what the world's largest family businesses are thinking and doing for long-term growth and success.

It's all about growth

68%
report they are highly or extremely entrepreneurial.

59%
predict expanding markets in their country in 2018.

47%
plan to increase hiring, for an estimated **100,000** jobs added.

Over
67%
plan to invest in expanding their capacity.

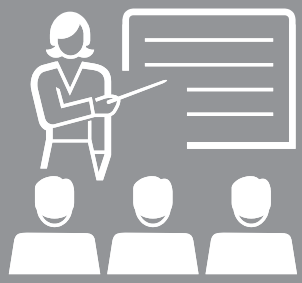
38%
have either used or are currently using PE as a source of capital.

Roughly
67%
of those who have used PE in the past or are currently using would use PE again.

To use or not use private equity

78%
make private-equity-like investments in business ventures started by family members.

70%
have at least one woman on their board, up from 55% in 2014.



Women in the business

29%
have four or more women on their board.

60%
are considering a woman for the next CEO; **25%** are considering it a fair amount or strongly.

Are we disrupters?

50%
see customers, competitors and future competitors, and technology as the leading sources of disruption.

53%
agree a lot or a great deal that they have formal incentives in place for employees that propose disruptive ideas.

67%
report that they have a culture that fosters agility and change.

About the respondents, average

9,100
Employees

2.4
Operating industries

US$3.4b
Sales

≥10%
Rate of growth as percentage of profit

≥12%
Return on equity

2nd
Generation of top leader running business

23%
Growth of employees in last three years

Only
52%
believe they are well-prepared for a sudden succession.

Preparing for the future

83%
have defined someone or a group as responsible for assuring a smooth succession.

Family compensation

18%
say dividends are based solely on profits; 53% say it is one of several factors.

68%
say family members are paid market wages; another **20%** say they are paid within 10% of market.

83%
have an active board.

On the board

Of those who have a board,
81%
say the contribution is good or outstanding.

Survey methodology
This report is based on survey results gathered from 589 of the world's largest family businesses in 23 top global markets: Australia, Argentina, Belgium, Brazil, Canada, China, France, Germany, the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), India, Indonesia, Italy, Japan, Mexico, the Netherlands, Peru, Russia, South Korea, Spain, Switzerland, Turkey, the UK and the US. Valid Research, an independent research institute in Germany, used a questionnaire and conducted phone interviews in the specific country language with senior ranking family business leaders. Based on the number of companies contacted to achieve our desired sample size, we achieved a 17.1% response rate.

Is adaptation or disruption the secret to longevity?

Successful family businesses are developing cultures to create disruption from one generation to the next.

Large family businesses create cultures that are agile, foster innovation and reward fresh thinking, according to the EY Global Family Business Survey 2018. All these conditions fuel disruption in the marketplace, but interestingly, few global family businesses identify themselves as disrupters (12%).

Respondents from top global markets believe they are entrepreneurial (68%), foster agility and change (67%), and allow for failure in the pursuit of improvement (61%). They use social media (68%), incorporate big data (65%) and employ robotic process automation (50%) in their efforts to keep pace. In other words, they develop cultures with great capacity to create or harness disruption from one generation to the next.

"The world's largest, and often longest-lasting, family businesses have long learned to adapt and innovate – how else would they still be a force in today's competitive markets? They formalize incentives and rewards for disruptive ideas and manage operations for the long term," says Marnix van Rij, EY Global Family Business Leader. "This long-term and entrepreneurial orientation may be intended to create a lasting legacy for the family but also results in creative and prosperous businesses."

Growth without outside equity

Unlike the modest 2018 world GDP growth of 3.6% predicted by the International Monetary Fund, the family businesses surveyed have an average revenue growth target of 9.1%, which is in line with the S&P 500 long-term return of about 10%.

This is notable, given that 62% of the businesses said they have never released equity to a third party in exchange for investment. The minority that did indicated they used this equity exchange only for a short time, a four- to six-year average. Two-thirds of survey respondents say they grow and innovate by investing their own money. And family businesses appear conservative in their willingness to take on debt.

"Going public or accessing third-party private equity capital is not for them," says Dr. Joseph Astrachan, Professor Emeritus, Kennesaw State University. "They have a completely different way of operating. Being a private family company in control of its investment means they can react quickly as conditions change. They can seize the moment in areas with high potential for growth or make long-term potentially disruptive investments – without answering to public shareholders or outside investors looking for short-term payoffs."

And these growth goals are not just wishful aspirations. They are consistent with their return on equity, the ultimate limit on the ability to grow.

Disruption: a threat and an opportunity

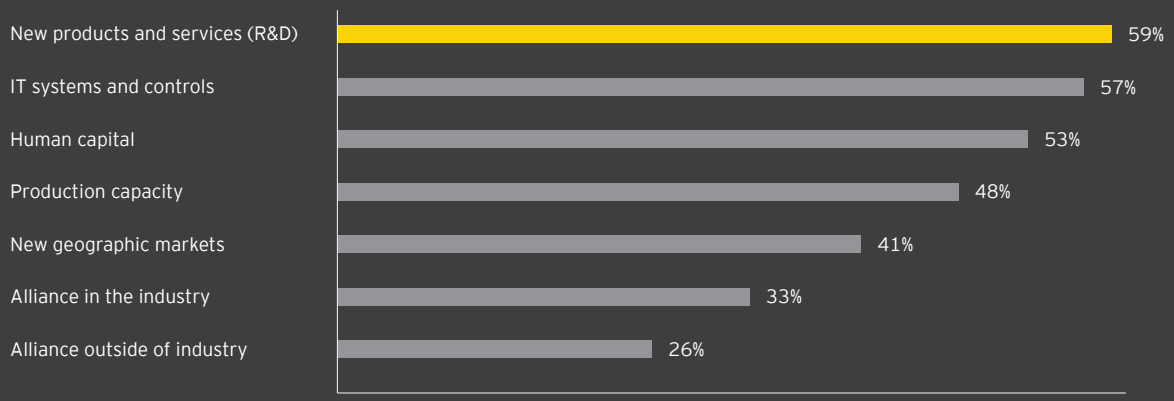
Family businesses tell us that in the areas they have targeted for growth, they are planning to invest to counter disruption or, better yet, to capitalize on it.

Top investment areas over the next three years identified by family business respondents include new products and services (59%), IT systems and controls (57%), human capital (53%), and production capacity (48%).

"It is not surprising that family businesses are planning today to protect tomorrow's businesses from disruption," says Carrie Hall, EY Americas Family Business Leader. "An eye on opportunity and a focus on long-term strategy – as well as an enviable agility to move forward – have long set family businesses apart from their non-family counterparts."

Investing in the future

What investments are family businesses planning in order to respond to disruption?



*Respondents could select more than one answer
Source: EY Global Family Business Survey 2018

Gens X, Y and Z to the rescue

Many of those surveyed recognize the role the next generation can play when it comes to identifying disruptive threats. Nearly one-third (30%) of respondents say they are using younger family members' talents "a lot" today – with another 15% indicating they rely on them "a great deal" for help identifying trends that could reshape the marketplace.

Still, that leaves the majority (55%) admitting there is more to be done when it comes to using their (literally) homegrown talent – the first generations that grew up alongside the digital revolution. Change and disruption were a natural part of their life cycle – and these generations may be well-suited to work in a digital landscape that affects every area of business.

The data suggests there is a real opportunity for those family businesses not using the next gen to put them to work. Enhancing the innovation agenda, for example, is one space where younger members might easily excel.

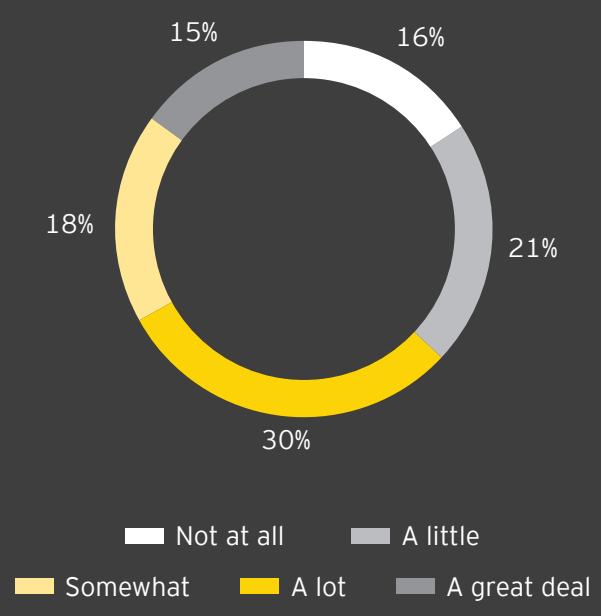
"They are digital natives and ready to rethink everything. This is an area where they can make a real contribution," says Astrachan. "There's even a bonus: engaging their hearts and minds early on helps maintain continuity and increases family cohesion – both shown to be related to superior operational performance."

Flexing their hiring power

Attention to the importance of their people has long been a distinguishing hallmark of family businesses. They recognize the critical need for both family members and outside talent to be nurtured – and retained – as they grow into high performers who live the core values of family and business.

Identifying disruption

How much do family businesses rely on the next generation to identify potential disruption?



Source: EY Global Family Business Survey 2018

Roughly 50% of all global respondents intend to create jobs in 2018, with 10% expecting increases of greater than 5%. This is impressive given the U.S. Congressional Budget Office 2017 estimate of 2018 job growth of around 1% for the US. Their growth plans are grounded in their optimism for the world economy in 2018, with nearly 59% predicting growth in their local economies and a mere 7% predicting a contraction.

One fourth-generation family business leader described the search for external talent this way: "In recruiting talent, most businesses focus on factors such as pay, bonuses and working conditions. However, family businesses have an advantage – in many markets, merely being a family business appears to be attractive to high performers. Flexibility, adaptability, speed of change, and desire to take a long-term view of people and investments are desirable attributes."

The best is yet to come?

It's good news for the global economy that family businesses have plans in place to continue embracing change into 2018 and beyond. They are the world's economic backbone. A commonly quoted "family business survival ratio" is 30:10:3 (where 30% of firms survive into the second generation, 10% last into the third generation and 3% survive beyond that point). Contrast this with the average lifespan of a company listed in the S&P 500 index of leading US companies. It has decreased by more than 50 years in the last century, from 67 years in the 1920s to just 15 years today, according to Richard Foster, a professor at Yale University.

Action points

1 **Disruption comes from unexpected places – and overnight**

Make sure your company, family and plans are agile and resilient enough to adapt to any form of disruption.

- Nurture an empowered environment where people who make mistakes (or fail) in the pursuit of what's next are still rewarded.
- Create cross-functional, cross-level teams to study every aspect of the business and the market. What are your competitors or similar businesses in other industries doing that could affect or enhance your own innovations, customer segments and/or current products and services?

2 **Next gen represents the first truly digital generation**

Their comfort in an ever-changing digital world could be a huge asset as your business explores how to create and embrace the bold, tightly integrated digital strategies that will define it for the long term.

- Consider their familiarity with an ever-changing digital landscape as one way to help them make the transition from good owner to good leader, rather than the other way around.
- Give them a solid foundation in general business education to enhance their digital talents. Start with simple financial statement understanding and work up to more advanced cost-volume-profit relationships.

3 **Recognize, nurture and reward high performers**

Assuming there is a good cultural fit, you never want to lose your most valuable players.

- Brand yourself as a family business that is known as a great place to work.
- Point to the success of your entrepreneurial culture and how it rewards those who keep it alive.

Why women thrive in family businesses

The world's largest, longest-lasting family businesses are advancing women, including non-family members, further and faster than their non-family counterparts.

Family businesses continue to demonstrate innovative approaches to management, and women seeking to thrive as leaders should consider the opportunities these companies offer, according to the EY Global Family Business Survey 2018.

At the companies we surveyed, top management is 22% women, compared to just 14% for companies overall in 2015. In addition, there was a 20% increase in the number of women in the C-suite since our 2014 survey on this topic.

Our survey findings are even more encouraging for women who are not family members. For example, the companies we surveyed averaged more than two non-family-member women in leadership for each woman family member. And of the four women these companies were grooming for top leadership roles, just one was a family member.

Demonstrated leadership

Family-owned Vitamix, founded in 1921, embodies these findings. Women make up 50% of its C-suite.

"It makes sense that women would do well in a family business setting, because the most successful family businesses are the ones that figure out how to stay relevant in an ever-changing world," says Vitamix CEO Jodi Berg. "To do that requires diversity of thought, perspective, approach, and style. Sustainable family businesses know this instinctively."

Our survey also found that 70% of family businesses were considering a woman as their next CEO. This percentage is especially dramatic given that the proportion of women CEOs worldwide was just 4% in 2015.

Family business board compositions also reflect greater percentages of women than other companies. On average,

16% of family business board members are women – an average of one woman per board. This compares to the worldwide percentage of women on boards, which was 15% at the end of 2015. It also represents a 27% increase since our 2014 survey.

Strong role models

Companies with more women in leadership roles attract additional women and inspire them to aim high professionally. Having visible role models enables less-senior women to imagine and realize their potential. The EY survey found that having more women at the top – family or non-family – seemed to help motivate women family members to join the business. Forty-one percent of respondents reported that women family members have shown more interest in joining the business over the last three years.

Our survey also found that the more women there are in the C-suite, the more willing family businesses were to consider a woman for CEO and to groom women for C-suite roles. Additional studies indicate that having a woman in charge of a family firm has a positive impact on the next generation of women. These include a 2003 study that compared family firms run by women and men and found that 31% of the firms run by women chose female successors, compared to just 7% of the firms run by men.[1]

Long-term approaches

To fully understand what's behind the impressive numbers of women in leadership at family firms, we must consider what differentiates these companies from their non-family peers and how these differences benefit women. One key difference is that family businesses, which seek to preserve a legacy for future generations, prioritize long-term sustainability and growth over short-term gains to a far greater extent than non-family businesses. Consistent with this focus, the average tenure of a family business CEO is 20 years, compared to 6 years for the CEO of a public company.

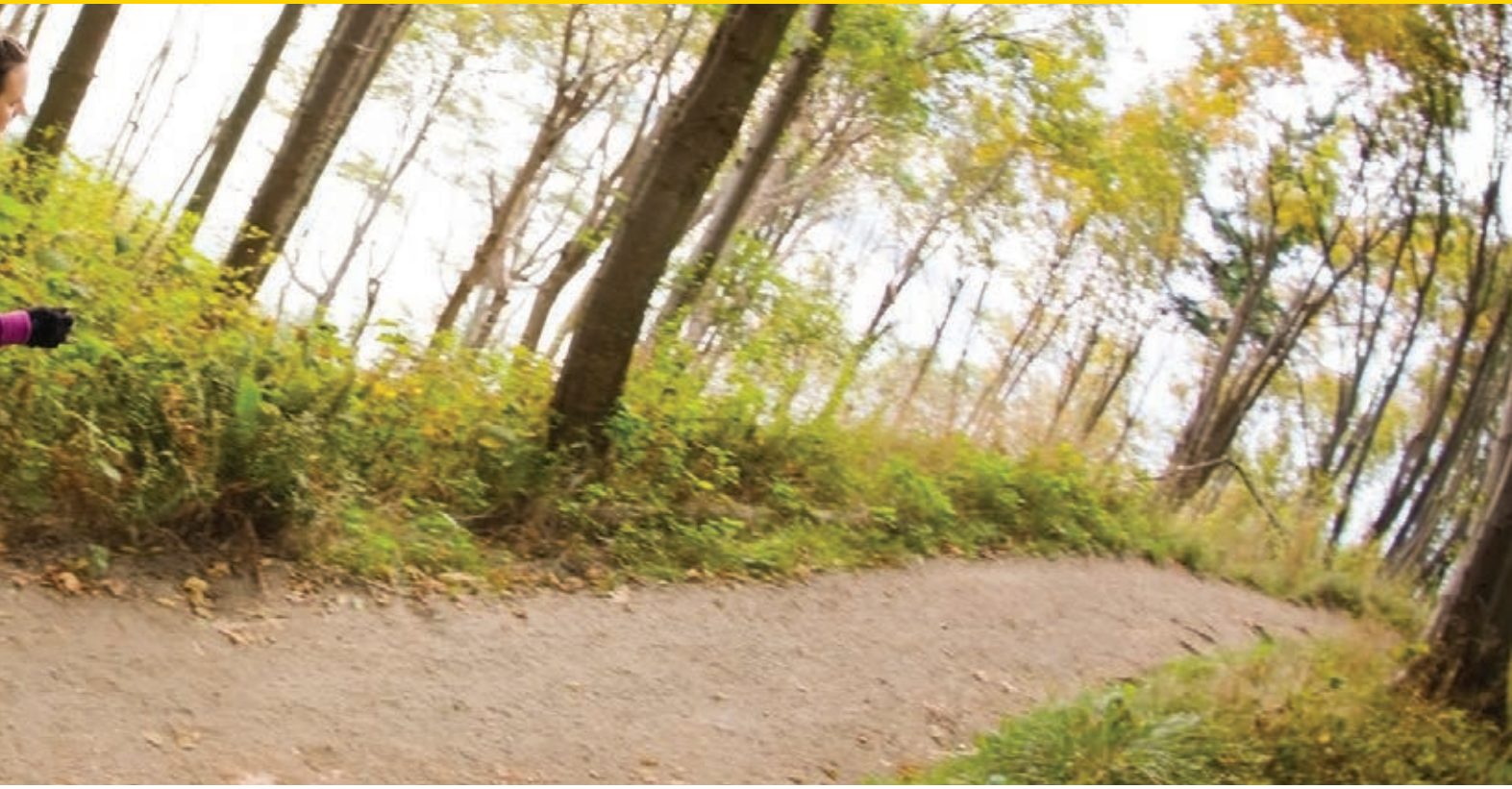
Car rental giant Enterprise Holdings, a family business, exemplifies this approach. Founded in 1957, the company has had just three CEOs. Current CEO Pamela Nicholson, who is not a family member, was promoted to the job in 2013 after 36 years with the company. She succeeded Andrew Taylor, the son of the company's founder. In a statement about Nicholson's promotion, Taylor said, "This step is a natural evolution of Pam's strong leadership of our business – leadership that has won her the loyalty and respect of our management team, of the Taylor family and of the larger Enterprise family."

Taylor, who had served as CEO for more than 20 years, had perspective. This long-term view works to women's advantage. For example, the longer CEO tenure may serve to break down conscious and unconscious biases against women, giving company leaders more time and opportunity to witness women's contributions and accomplishments. There is recognition that limiting people based on gender does not serve the company, or family, well.

There is also evidence that the long-term view aligns with the management style of women in leadership roles at family businesses. Studies indicate that women approach succession in a way that places company longevity over individual interests[2] and that they excel at transmitting values to the next generation of leaders.[3]

"As a family-owned business, we're uncommonly in tune with the need to operate with the next generation in mind," Nicholson told career website Glassdoor.

[1] *Women in family-owned businesses*, MassMutual Financial Group and Center for Women's Leadership at Babson College, 2003.
[2] *Spotlights and shadows: Preliminary findings about the experiences of women in family business leadership roles*, Journal of Management & Organization, 2009.
[3] *A woman's place: The crucial roles of women in family business*, Family Business Consulting Group, 2008.



Inclusive environments, better relationships

In addition to taking a long-term approach to management, family businesses are also characterized by their focus on people and relationships — in addition to profits.

Research indicates that family businesses differ from their non-family counterparts in both the number and type of goals they set.[4] For example, family business goals may reflect notions of socioeconomic wealth, family identity and reputation, and relationships among family members. In short, the business is more than a business — it's a way of life.

The broader purposes of a family business help keep family members and employees engaged with each other and the company. As a result, relationships and inclusivity are highly valued. This benefits women by creating a cohesive environment that is more accepting of diversity in general — as long as there is little diversity in terms of ultimate goals.

"Within Enterprise, women are well-represented in senior leadership positions," says Nicholson. "A major driver of our inclusive culture is the company's promote-from-within philosophy, which rewards employees based on performance rather than seniority and creates opportunities to quickly advance."

Finally, family businesses, by definition, blur the boundaries between work and family. As a result, they are more favorably disposed to policies that support a balance between work and family obligations. While men now share the need and desire to balance these responsibilities, the issue has been viewed historically as a concern for women, and family firms have been more accommodating.

Valuable lessons

With greater numbers of women in leadership roles, the world's largest, most profitable family businesses are thriving. They and their employees benefit from their long-term approach to management, more inclusive environments, and broader purposes. These market leaders offer exceptional professional opportunities to both men and women, and to family members and non-family members. But at a time when gender parity remains elusive at all levels of business management, family firms are especially compelling options for women who aspire to lead. In addition, they set an example for all businesses that want to succeed — and advance women.

Portions of this article by Carrie Hall, EY Americas Family Business Leader, originally appeared on Quartz.com.

[4] *Family Firm Goals and their Effect on Strategy, Family and Organization Behavior: A Review and Research Agenda*, International Journal of Management Reviews, 2018.

Why family businesses are growing faster than their peers

The EY Growth Barometer 2018 finds that overseas expansion, talent diversity and artificial intelligence top the growth agendas of family businesses.

Growing global confidence provides a positive backdrop to the EY Growth Barometer 2018 results, and family businesses reflect this growing optimism.

Growth prospects for all major economies are finally swinging upward in 2018, with IMF forecasts currently at 3.9% for the year. This rare synchronization of growth around the globe is boosting middle-market C-suite growth ambitions, led by Asia-Pacific companies. Family businesses don't just reflect these ambitions; they amplify them.

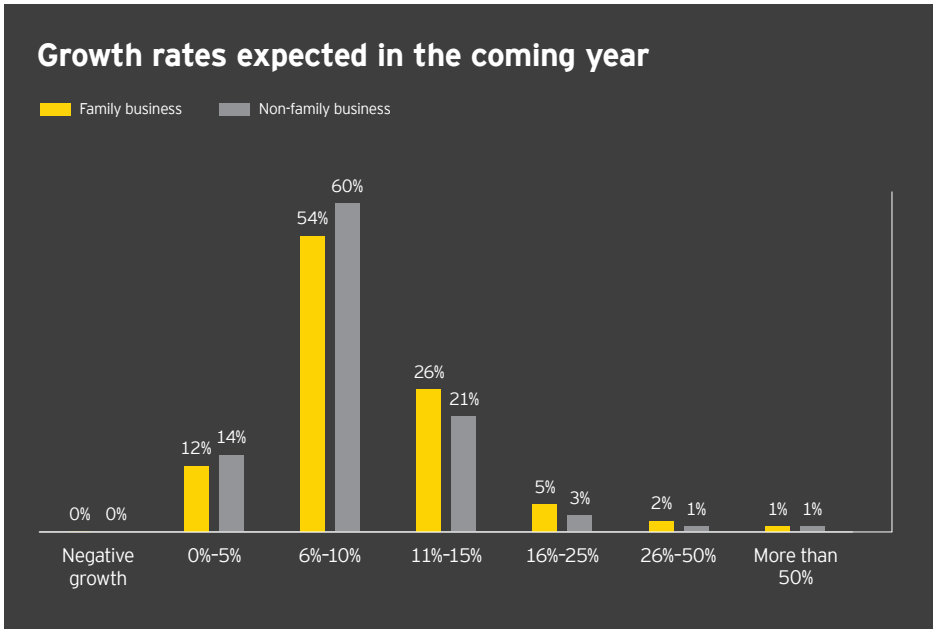
Similar to last year, family-owned businesses are growing faster and creating more jobs than their peers. This year we also find family businesses are more likely to have a woman at the helm, just as diversity emerges as a clear recruitment priority across the whole of the middle market.

Overall, family businesses are focused on overseas markets to power expansion, looking at external alliances to accelerate innovation. And in a major shift from 2017, the race to embrace artificial intelligence (AI) and machine learning is an urgent priority, as family businesses look to transform processes, improve the customer experience and create new business models.

Growth rates and strategies

More than one-third (34%) of family businesses are targeting double-digit growth rates compared to one-quarter (26%) of non-family businesses.

The percentage of respondents reporting double-digit growth has grown 9 percentage points on 2017, while those companies in high single-digit growth are up 16 percentage points on last year. Moreover, no company surveyed is in negative growth, while in 2017, 5% of the total cohort of respondents was looking at declining revenues.



"We see here two factors at work," says Marnix van Rij, EY Global Family Business Leader. "Across the world, middle-market companies are grasping the upside of disruption, expanding beyond their borders and creating new business opportunities. But we also see family businesses using the advantages of greater agility and streamlined decision-making to move faster than their non-family business peers."

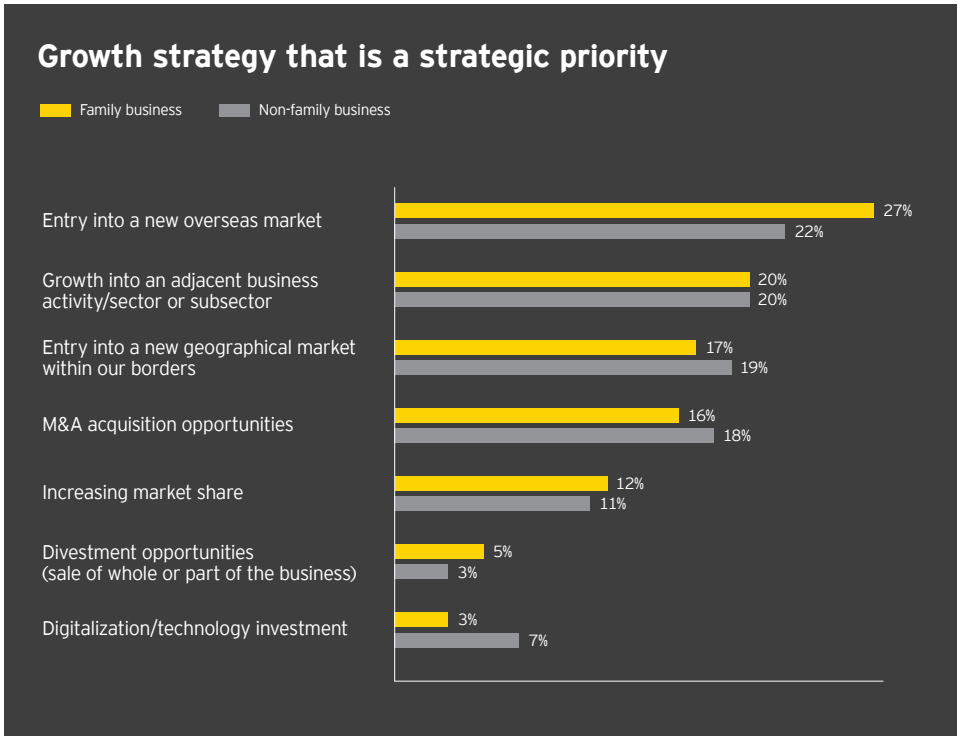
Family businesses are more likely to prioritize entry into a new overseas market as a growth strategy (27% compared to 22% of non-family businesses).

"We see great potential to expand into Southeast Asia," says Niccolò Ricci, CEO of Italian luxury menswear brand Stefano Ricci. "Vietnam, Philippines, Thailand and Cambodia are countries where I can see a big opportunities for us. We have, for instance, just opened a boutique in Phnom Penh. We are already in Singapore and Macau, where we will open a third boutique later this year, so right across the region there is great potential for us."

As we see in all survey results for 2018, growth is being led by economies in Asia-Pacific, with particular strength in India and China. More than 70% of family businesses based in these economies are planning double-digit growth this year.

Talent and diversity

Family businesses continue to have a greater focus on talent as a growth enabler than their peers. Almost half (49%) in 2018 plan to hire full-time staff, compared to 38% of non-family businesses.



"We see family businesses seeking to lock in scarce talent," says van Rij, "building on established skills in motivating staff over the long term, while determinedly looking to attract young digital talent into their organizations."

Diversity has shot up the middle-market recruitment agenda – 40% cite it as their biggest priority, 37 percentage points higher than 2017. Given the many studies proving diversity as a key contributor to team efficiency, success and decision-making, it is good to see middle-market leaders embrace the proven gains of more diverse teams.

"I'm now involved in Örum Oy Ab, an automotive spare parts business," says Maria Aminoff, Deputy Chairman of Mercantile Oy Ab, the family holding company of a range of Finnish businesses owned by the Aminoff family. "For a long time I have been the only woman on the board, but we have just hired a new board member, and I particularly wanted to hire a woman. Even in very male-dominated sectors, such as automotive, I think women have a lot to offer."

Family-owned businesses seem to offer environments that are somewhat more conducive to successful female leadership compared to their non-family business counterparts. Nine percent of family businesses are helmed by a woman, compared to 3% in the rest of the cohort, and 24% of executive leadership is female. Family businesses acknowledge they have more to do, though, and still put diversity at the top of the recruitment agenda (40% of responses).

Talent with specialist skills is also up (11 percentage points) on 2017 and runs second only to diversity (with 16% of responses).

As talent becomes ever more mobile, "family businesses are leveraging the special characteristics that can build loyalty and trust to attract scarce talent," says van Rij.

"I think people like being employed by family businesses because they can feel part of a vision, part of something that has a specific character, where the owners of the business are working alongside them," says Brett Franklin, the second generation of Franklin Companies, a San Antonio, Texas-based real estate company specializing in development, construction and management of senior housing and affordable housing.

The focus on talent extends to factors that would most accelerate the growth of family-owned companies. Here it is the top-rated option, with more than one-third of responses (34%), up 7 percentage points on 2017 and 5% ahead of non-family businesses.

Risks and challenges

With family business leaders' focus on overseas expansion, unsurprisingly slow global growth is the top-rated external risk to growth, with 33% of responses, 9% more than non-family business peers and a clear 17 percentage points higher than the second-rated risk of slow local growth.

However, when it comes to challenges closer to home, insufficient cash flow rises to the top, selected by 35% of leaders, 21 percentage points up on 2017.

"As family business leaders accelerate their growth plans, look to build talent and experiment with new technologies and business models, insufficient cash flow emerges as a significant risk this year," says van Rij. "But this is not matched by access to capital, which hardly registers. The issue is not accessing long-term finance but finding working capital fast to respond

to the rapidly changing business environment leaders find themselves in."

Machine learning and artificial intelligence

The digitalization of everything, while long-predicted, is now happening at such an accelerated pace that, in line with all middle-market leaders, family business CEOs are racing to embrace AI. As with all respondents, 62% of family business leaders plan to adopt AI within two years, a massive 56 percentage-point swing upward from just 12 months ago.

Cognitive systems are transforming almost every area of business, from routine back-office processes to the customer experience.

"I only see opportunities with digitalization," says Ingrid Faber of Dutch family business Pooling Partners, Europe's leading full service pooler and provider of wooden pallets and boxes. "For example, bitcoin's underlying technology – distributed ledger technology – could potentially offer some use and benefit in our business."

Respondents say technology investment will transform processes (31%), deliver an improved customer experience (21%) and create new business models (21%). Companies are at different stages of AI adoption, but none doubt its critical role in the future.

Innovation: drivers and strategies

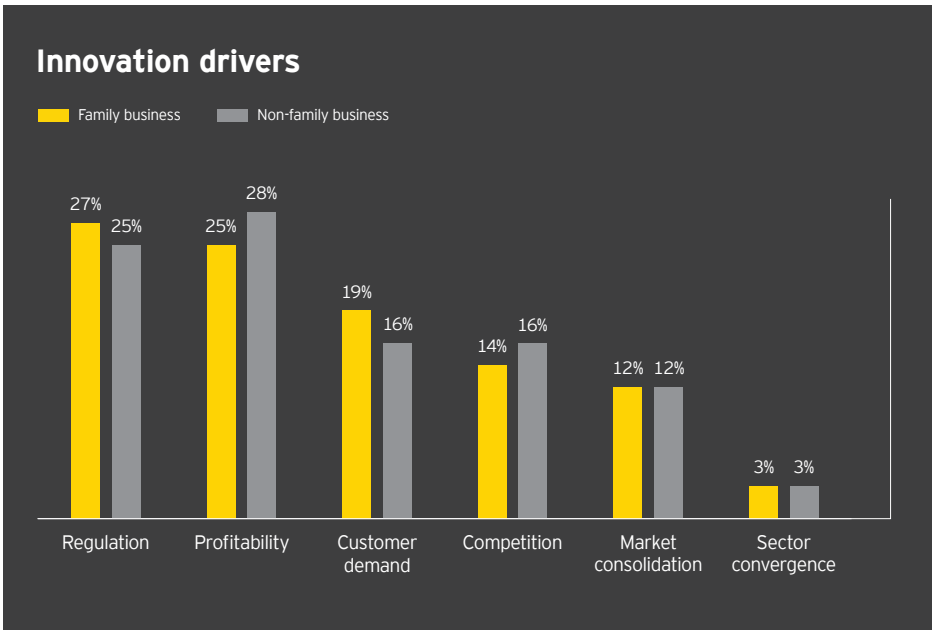
In a clear shift from last year, regulation emerges as a new force in stimulating innovation (only 2 percentage points below profitability) for more than 27% of family business executives globally – a 14 percentage-point rise from 2017.

"We have seen the impact of regulation on carbon emissions in helping accelerate innovations in electric vehicles," says van Rij.

Almost one in five family business leaders is increasing innovation by building external alliances (17%). Other companies are systematically scanning the horizon for startups that can accelerate their innovation strategy.

"We recently teamed up with Foresight Group, an investment manager, to create a £20m seed fund," says Craig Wilson, Managing Director of Williams Advanced Engineering, part of UK-based Grand Prix Engineering.

Family business executives are responding to accelerated change, with 25% saying they are spending at least half their time on future strategy, 8% more than their non-family business peers.



"Family businesses are focused on sustainable growth, protecting the assets of the business in the long term," says Abdulrahman M. AlBassam, of the Middle Eastern diversified industrial products group that bears his name. "Decisions are also made with the involvement of fewer people – they are made fast and with a percentage of gut rather than data."

About this report

EY commissioned Euromoney Institutional Investor Thought Leadership to conduct an online survey of 2,773 CEOs and C-suite members in companies with revenues from $1m to $3b, in 21 countries globally, between 15 January and 1 March, 2018. Quantitative data was supplemented by more than 30 in-depth interviews with CEOs, some of whom are quoted here.

Family offices face the future

A new wave of innovation is upon us, and the way your family office operates may never be the same.

The influence of robotics is upending many industries, and family offices are no exception. Traditionally built around complex service-related tasks and processes, this new class of solutions can fit into daily tasks without disruption to the existing workflow, using the same applications and interfaces as their human counterparts while improving speed, accuracy and output.

How will robots support your legacy?

Many family offices have adopted a "100-year outlook," a multigenerational vision that foresees challenges extending well into the future and tries to anticipate and plan for these to support a business's longevity.

Such plans, which are built around generation-skipping or perpetual trusts, require constant attention to detail while maintaining a connection to the past. This requires the creation and storage of an enormous amount of data, and often an onerous amount of complex research, storage and data reorganization. As artificial intelligence (AI) and cognitive technology advance, they may prove to be a family office's ideal companion, continually refreshing and keeping accessible the information that defines and shapes the business's legacy.

Why family offices can benefit

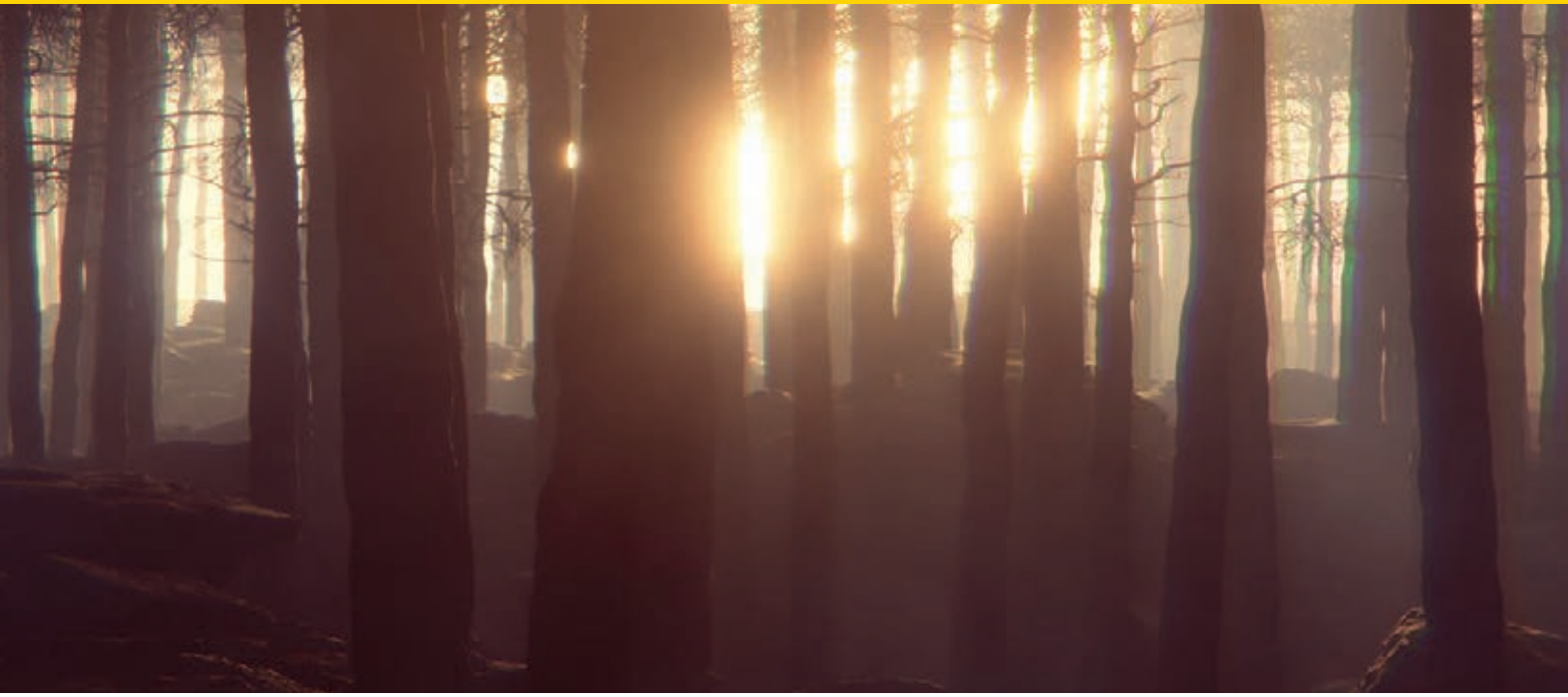
Family offices may not appear to be obvious candidates to benefit from automation – they're small, often highly customized companies with an extremely broad range of complex service offerings and relatively few IT resources.

Classic IT-driven automation strategies have focused on high-volume, highly standardized processes in an environment where change is predictable and seldom necessary – hardly a description of the variable, often chaotic environment of the family office. On the positive side, however, as small companies, they are both agile and adaptable – flat, team-driven organizations that can quickly organize to take on a new challenge. And as family offices, they can take a long-term view using their "patient capital" to invest in technologies that enable them to function more strategically.

Studies have shown that, despite fears of a robotic workforce displacing human workers from white-collar jobs, robotic process automation (RPA) may result in an unexpected benefit: hybrid, high-performing human–robot teams that produce cost savings, better outcomes and higher employee satisfaction.

What should you do next?

RPA and cognitive automation are rapidly being deployed throughout the world of financial services. It is expected that family offices will soon follow suit and adopt robotic processes for their own purposes. This has the short-term potential to help family offices achieve new levels of efficiencies in their often diverse and highly customized processes, while supporting them in creating services for the long view.



The emerging capabilities of AI and cognitive technology have enormous promise in not only helping families draw the rising generation into engagement with their legacy, but also in managing the uniquely long game of transferring a legacy that will endure for multiple generations. As you consider RPA:

- Start small and grow your capabilities over time.
- Establish a pilot program that draws on the strength of an experienced partner. Professional services firms are acquiring experience with most of the technology providers in this space, and they have the specialized skill set needed to make RPA processes work in tax, accounting, administration and other specialized workflows.
- Involve your team. Employees often hear about the promise of robotics replacing white-collar workers, but the real-world experience has been that robotics allow workers to focus on more valuable tasks and help employers to build higher-functioning teams.
- Make RPA a business-led initiative, not an IT-led initiative. Bots can be configured within the teams that are close to the business processes and have the expertise required to make them work.

For more information on this topic and family offices, visit **ey.com/familyoffice**.

RPA benefits

There are certain advantages to robotics and RPA beyond cost savings, including:

- **Quality** – Robots reduce manual intervention and are effective at following tedious and detailed instructions, producing work that is free of duplication and errors. This is a benefit that cannot be overstated in the work produced by accountants to meet regulatory requirements.
- **Speed** – Robots do not need coffee breaks, vacation time or sick days. They work around the clock, speeding up processing times and throughput and increasing capacity.
- **Governance** – Robots support better compliance (and, therefore, organizational governance) by embedding requirements into the automation rules.
- **Security** – Cognitive computing work is machine-based, which reduces the risk of security threats and data breaches within the organization.
- **Business continuity** – Robots allow processes to be switched easily and smoothly to other servers, which expedites disaster recovery processes (when needed).

Do family businesses help or hinder the next generation's entrepreneurial ambitions?

Entrepreneurial parents are likely to encourage their children to launch startups, but many other factors play a role.

Young entrepreneurs whose parents control a business are often subject to their parents' influence when starting a company. These next generation entrepreneurs may receive resources and emotional support, but critically their parents may serve as role models. To what effect?

In a new study undertaken by the University of St. Galen and supported by EY, a global survey of more than 122,000 university students from 50 countries asks how parents who are entrepreneurs influence their children's likelihood of launching a startup.

Our key findings include:

Individuals with at least one parent who owns and/or manages a business are 10% more likely to found their own company than if their parents are regular employees.

"Ten years ago I would never have believed I would be where I am today," says Maria Aminoff, fourth generation of the diversified Finnish group.

"I was always encouraged to follow my passion, and for me that was show-jumping. But once I completed my degree in Economics in Helsinki, I wanted a profession. I'm now involved in Örum Oy Ab, an automotive spare parts business." Aminoff is now Deputy Chairman of Mercantile Oy Ab (family holding), Member of the Board of Örum Oy Ab (automotive parts, services

and concepts), Helvar Merca Oy Ab (industrial holding), and Luna Holding Oy Ab (real property).

Even so, next generation entrepreneurs tend to enter the same industry as their parents' business, at a rate of 37%.

Although parents can provide various types of support, only physical support, in the form of material and equipment, directly helps next generation members to become entrepreneurs (by 3%). By contrast, other forms of support, including knowledge, ideas and money, have a slight negative impact (by 2%). These resources may not be adequate to support the new business opportunity or may constrain the next generation's independence.

Parents' influence on startup activity also varies by the gender of the parents and their children. Fathers as owners have a positive influence on the likelihood of both sons and daughters to become entrepreneurs.

"I have so much to learn from my father as an entrepreneur," says Brett Franklin, the second generation of Franklin Companies, a real estate company specializing in the development, construction and management of senior housing and affordable housing in San Antonio, Texas. "I've always been very keen to join the family business and be instrumental in communicating the vision and values of the company for the future. For me, that challenge is more exciting than starting a venture of my own. I've always seen my future in the business."

However, when the mother is the business owner, the positive effect holds primarily for sons but less so for daughters. The sons of mother-owned businesses are 16% more likely to become entrepreneurs than daughters.

Parental influence on next generation entrepreneurship also depends on the children's education. When they are enrolled in an education program that is completely dedicated to entrepreneurship, they are 12% more likely to become entrepreneurs. Entrepreneurship education expands their horizons and provides them with more diverse role models.

Social culture also plays a role in next generation entrepreneurship. In a society with a strong family culture, individuals whose parents have a business are 4% less likely to become entrepreneurs. Instead, they are 21% more likely to take over the family business.

Abdulrahman M. AlBassam worked in other firms before returning to the family business. "My family name is brand in its own right," he says. "My family's recorded history in trading goes back at least 200 years, and I am deeply grateful for that. I never felt a need to break away. You are never separate from your family in my culture. We are very extended family-oriented, a small tribe, and I carry that name with me wherever I go."

However, it's not all about family business. Individuals whose parents do not have a business can benefit from a strong family bond. Where such bonds exist, parents are more likely (31%) to support their children's startup activity. Parental influence is key.

These survey findings suggest that having a family business background is a double-edged sword for next generation entrepreneurship, not necessarily increasing the entrepreneurial ambitions of the next generation or the likelihood of success.

"When there's a path laid out for you, it's easier to follow that path than lead away into the unknown," says Doug McAlpine, fifth generation of the UK construction and civil engineering group Sir Robert McAlpine.

All interviews are with EY NextGen Network Alumni.

"The EY NextGen Academy develops the knowledge of the next generation of leaders."

Lauri Oinaala
EY Global Next Generation Leader
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Family business entrepreneurs have developed many unique skill sets and characteristics that set the priorities for their companies – in comparison with others – somewhat differently. One of those priorities often relates to the challenge of maintaining the entrepreneurial spirit from one generation to the next.

A key contributor to a successful succession in an entrepreneurial business family is a next generation that is both competent and willing. It is important to acknowledge that succession has multiple dimensions; as business, family and ownership evolve, so do the prospective roles for the new generation.

In 2018, we mark the 10th anniversary of our market-leading educational program for the next generation of family business leaders and professionals: EY NextGen Academy. This powerful program is designed to provide the next generation of family business leaders with the knowledge and advice that will help prepare them for the task ahead.

Finding the right path for an individual future leader is not an easy undertaking. Advanced business insights, competence in innovation management and understanding of good governance are only a few examples of the capabilities needed to become an owner with a purpose. Gaining firsthand insights from other entrepreneurial families and leaders is also needed. Therefore, the EY NextGen Academy develops the knowledge of the next generation of leaders by connecting them with their global peers, leading entrepreneurs and family business leaders.

About the EY NextGen Academy and EY NextGen Network

EY NextGen Academy

As part of the program, our proprietary EY NextGen Academy combines the knowledge from many of the top international business schools with practical experience and advice from EY. This creates a special environment targeted specifically at the next generation of entrepreneurs and family business leaders. Participants also benefit personally from the experience of exceptional business personalities and their peers from around the world.

EY NextGen Academy addresses the main issues of keeping entrepreneurship alive within a family business and helping it succeed for generations to come. The program is structured to support individual dimensions of success, whether the participants are looking to take on operational roles in their family business, engage in an ownership role or both.

The EY NextGen Academy is unique because participants benefit personally from the experience of exceptional business personalities and their peers from around the world. Taking the various interests and development needs of different age groups into account, the program runs a three-tiered approach: the EY NextGen Academy First Program, Advanced Program and Excellence Program.

EY NextGen Network

Another powerful aspect of the EY Global Next Generation program is that participants can stay in touch via the EY NextGen Network. This exclusive network connects family business entrepreneurs, providing them support and advice when they need it the most. It offers exclusive access to annual reunions, professional EY conferences and premier networking events. Another important connection point for members is the EY NextGen Ambassadors. They are active leaders in the EY NextGen Network who organize activities in their country for members.

Network benefits include:

- Global community with more than 60 nationalities represented
- EY NextGen Award – premier global recognition for next generation achievements
- Annual reunions at global innovation hubs
- Local chapters with exclusive access to local EY events
- Special pricing for EY NextGen Academy
- Family business and personal support
- Mentoring program
- Access to special programs at Strategic Growth Forum US in Palm Springs, EY World Entrepreneur Of The Year in Monaco and Accelerating Entrepreneurs
- Access to EY Family Business summits and roundtables

In this transformative age of unprecedented disruption and opportunity, learning must happen faster than the speed of change. In our response to this challenge, we created EY Global Next Generation, our approach to prepare the next generation of leaders and professionals to join their family business environment.

EY Global Next Generation supports and advises future entrepreneurial leaders on their individual paths toward success. Through EY's highly integrated network of advisors around the globe, we offer proven insights, market-leading educational programs, networking opportunities, and exclusive access to thought-provoking events. Visit **ey-nextgen.com** for more information.

EY NextGen Leaders Program

The EY NextGen Leaders Program at the EY World Entrepreneur Of The Year Forum and Strategic Growth Forum US are powerful opportunities for EY NextGen Network members and next generation professionals to meet and learn from influential market leaders, bond with peers from around the world, and expand personal and professional networks.

EY NextGen 2017 Award winner

Christina Suriadjaja
Travelio.com

Christina Suriadjaja likes traveling the road less taken. When she was just 14, she became a professional netball player for the Singapore national side. Later, she deferred a prestigious graduate degree in the US and a top job with a world-renowned travel group to set up her own company, the online Indonesian travel firm Travelio.com.

But following a less conventional path has been fruitful. Travelio.com is now a successful home rental provider that manages individual owners' and property developers' units for short-term rentals.

The more conventional – and easier – choice would have been to follow the typical next generation route into her family business, PT Surya Semesta Internusa. Christina's grandfather started the business in 1971, and today it's a major Indonesian property, construction and hospitality group run by her father, Johannes Suriadjaja.

That said, the link with the family business was not broken completely. Travelio.com is backed by Surya Semesta Internusa, which is a minority shareholder. But the idea of starting the business was very much Christina's, and she used US$90,000 of her life savings to get the company off the ground. She also had to convince her family that it was a good idea.

"Growing up with unquestionable respect and obedience toward our first-generation patriarch leaders doesn't set an easy stage for the third generation," says Christina. "It's even more of a problem for women entrepreneurs like me."

Travelio.com is certainly on the move. It has some big-name partners such as TripAdvisor and Tuniu, and it has also been promoted by Indonesia's Ministry of Tourism. Few would bet against Christina making a great success of Travelio.com.

About the EY NextGen Award

An offshoot of the EY Entrepreneur Of The Year Awards – the world's most prestigious business awards program – the EY NextGen Award is a platform for EY NextGen Network members and global next generation leaders to showcase their entrepreneurial endeavors and leadership achievements. The award gives young successors in family businesses the chance to have their entrepreneurial achievements judged by a panel of academics, peers, EY member firm partners and family business leaders.

After an application period of two months, candidates for the award are assessed by an international panel of judges. The winner receives the invaluable opportunity to participate in the EY World Entrepreneur Of The Year Forum in Monaco. The 2018 award will be presented at a gala dinner at the Monaco Yacht Club on 14 June.

Join us in Monaco for next year's EY World Entrepreneur Of The Year™ Forum

5–9 June 2019

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About EY's Growth Markets Network
EY's worldwide Growth Markets Network is dedicated to serving the changing needs of high-growth companies. For more than 30 years, we've helped many of the world's most dynamic and ambitious companies grow into market leaders. Whether working with international, mid-cap companies or early stage, venture backed businesses, our professionals draw upon their extensive experience, insight and global resources to help your business succeed. **ey.com/growthmarkets**

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