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## **Press release**

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## **40% of family businesses in Central and Eastern Europe plan changes in ownership within the next 5 years**

**27 May 2015** – A quarter century after the fall of the Iron Curtain, family businesses in Central and Eastern Europe are at a crossroads, facing critical decisions about their future. As many pioneering business owners approach retirement, 40% plan changes in ownership within the next 5 years. At the same time, many are looking to improve growth and profitability by expanding international sales, transforming operations, and investing in technology.

These are some of the findings of PwC's report "CEE Family Business Survey: Family businesses at a crossroads". This report is part of PwC's global Family Business Survey, which interviewed 2,378 family businesses in 40 countries worldwide, including 162 in Central and Eastern Europe.

### **The next generation**

Overall, 61% of CEE family businesses plan to pass down ownership to the next generation at some point in the future, while 28% plan to sell or float the business.

To effectively take over management, next generation leaders need experience before taking the helm. So it is rather surprising that most CEE family businesses do not have a clear successor or formal succession plan in place. Only 39% of CEE family businesses have a succession plan for at least some roles compared to 53% globally. Likewise, only 29% of CEE family businesses currently have next generation family members working for the business, compared with 55% globally.

In family businesses, conflicts about the management of the business can have terrible consequences on family relationships, while family issues – such as death, divorce, illness or accident – can throw the business into disarray. Having clear processes in place can prevent disagreements about the business from escalating into family crises, and vice versa. However, only 52% of CEE family businesses have a procedure in place to deal with conflict. This is much lower than the global average of 83%.



## **Growing despite challenging markets**

Despite the difficult climate, family businesses continue to perform well and are optimistic about the future. 67% of CEE family businesses have grown in the last 12 months and 90% are aiming to grow over the next 5 years.

More than half of family businesses in Central and Eastern Europe see geopolitical risks as a threat to growth - 54% see the economic situation and political instability as key challenges over the next 5 years, while 51% are concerned about market instability.

## **Foreign markets offer growth opportunities**

CEE family businesses are looking to new markets for growth. 78% of family businesses in Central and Eastern Europe currently sell to foreign markets, and on average, international sales account for 21% of revenue. CEE companies are looking to increase international sales to 29% by 2019, and the vast majority are looking to expand mainly within Europe.

## **Talent and professionalism**

As family-owned businesses in CEE mature, they are looking to evolve their entrepreneurial culture to a more structured approach. They are increasingly investing into making their operations more professional and corporate. Within CEE, 52% of respondents pointed out the need to “professionalise” as one of their key challenges. This was significantly higher than the global average of 40%.

Finding the right people is a key success factor in creating a more professional organization, and 61% of CEE family businesses see attracting the right talent as a key challenge over the next 5 years.

## **Technology and innovation**

The pace of technological change is a major force in the market and 43% of CEE family businesses believe that technology will transform business over the next 5 years. Furthermore, 73% of them see the opportunity to raise awareness of their organization through digital channels. To take advantage of these new opportunities, 70% see the need to adapt to the new digital landscape.

Overall, CEE family businesses are less focused on innovation than their global colleagues. 46% of family businesses in CEE are focused on the need to innovate as a key challenge, compared to 64% globally. As business becomes increasingly international, CEE companies could face greater threats from more innovative foreign competitors entering their markets.

To download the global report, visit [www.pwc.com/familybusinesssurvey](http://www.pwc.com/familybusinesssurvey). To download the CEE report, visit [www.pwc.com/ceefamilybusiness](http://www.pwc.com/ceefamilybusiness).

## **Notes to editor:**

### **About PwC**

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**About PwC CEE**

PwC has been active in Central and Eastern Europe for 25 years. Today, the network consists of 280 partners and 7,000 staff in 54 offices across 29 countries. We are the only professional services firm to have a fully integrated network spanning Central and Eastern Europe and former CIS countries.