PwC's 11th Global Family Business Survey

Transform to build trust: Prioritising employees

Insights from PwC's 11th Global Family Business Survey reveal new ways to meet the changing expectations of this crucial stakeholder group.

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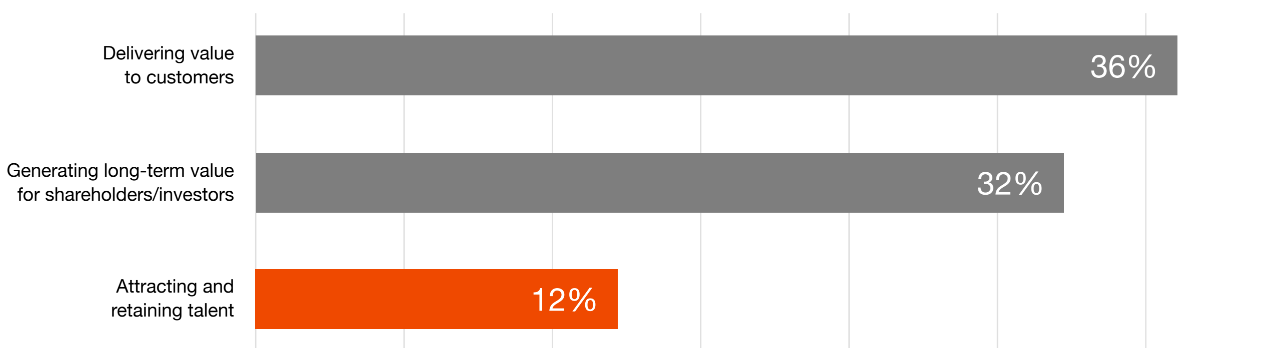
This article is the second in a series of deep dives into the findings from PwC's 11th Global Family Business Survey, each focusing on one of three key stakeholder groups: customers, employees and family members. An accompanying webcast will delve further into key topics.

One of the most striking findings to come out of PwC's 11th Global Family Business Survey is the fact that only 42% of the 2,043 family business leaders who responded believe they are fully trusted by their employees, though 91% say that the trust of their workers is essential or very important. Given that discrepancy, it is perhaps even more surprising that less than a third (32%) of respondents said they will prioritise building trust with their employees in the next two years, and only 12% say a top priority is attracting and retaining talent.

Under-prioritising the workforce

Share of family business owners who are taking action in these areas



Source: PwC's 11th Global Family Business Survey

This disconnect could have significant consequences for businesses' future. There is a strong correlation between trust and profitability, and the survey findings suggest that the correlation extends to employee trust: companies that prioritised their employees, gave them incentives, and invested in attracting and retaining talent reported higher levels of growth in the prior 12 months than companies that didn't take those measures. As Sir James Wates, a fourth-generation family business leader who is the former chairman of Wates Group, a UK construction, residential development and property services business, put it: 'If you can't attract and retain talent, you will have no business in the future. So, putting effort and resources into your employees should be top of mind.'

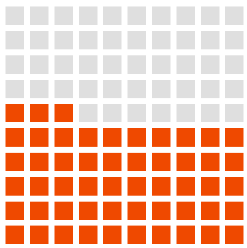
In this article, we'll take a deep dive into the relationship between employers and employees, highlighting where family businesses are falling short in their efforts to build trust and proposing ways to strengthen that relationship. Powerful demographic shifts mean that most employees are now from generations—millennial and gen Z—whose values differ from those of baby boomers and gen X, the cohorts who now lead most businesses. What employees are looking for today in their working lives is at odds with what family businesses are providing, according to our survey.

What employees expect from their employers has changed over time, in terms of both employment packages and perceptions of the company they work for. Increasingly, people are prioritising skills development, work–life balance and wellness. Indeed, the relative importance of financial compensation has declined by 24% over the past decade (though the data was collected before the current cost of living crisis). And importantly, employees today want the companies they work for to reflect their own values and concerns.

In a recent PwC study, 86% of employees said they wanted to work for a company that shared their values, and in PwC's 2023 Trust Survey of more than 2,000 employees, 53% said it is very important that their purpose and values be aligned with their employers'. The data from the 11th Global Family Business Survey shows family businesses are not in tune with those expectations.

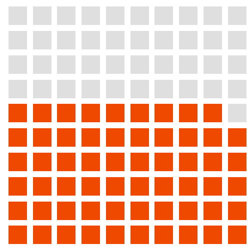
Falling short of employees’ expectations

Share of family business owners who are *not* taking action in these areas



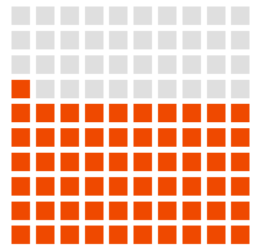
53%

do *not* build the company values and purpose into their appraisal and reward system



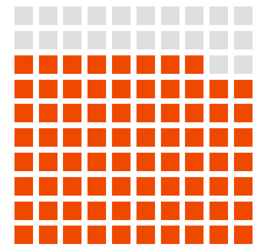
59%

do *not* communicate their purpose externally



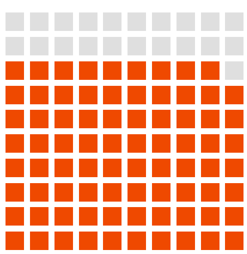
61%

do *not* have systems in place to report misbehaviour



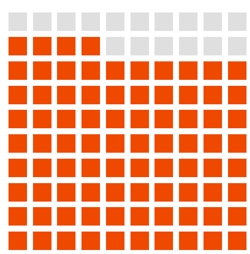
78%

do *not* have processes in place to let employee appeal or question management decisions



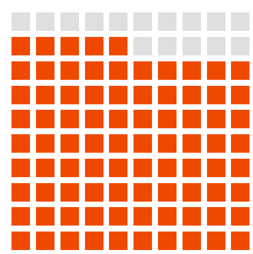
79%

do *not* have a purpose statement or stated commitment that advances diversity, equity and inclusion (DEI) efforts



84%

do *not* take a public stance on important issues



85%

do *not* have a clear and communicated environmental, social and governance (ESG) strategy

Source: PwC’s 11th Global Family Business Survey

The new paradigm for building trust with employees

In our overview of the 11th Global Family Business Survey findings, we identified a new formula for building trust to improve business outcomes—one that goes beyond simply providing good products and services to customers. This formula includes being vocal about values, walking the talk on environmental, social and governance (ESG) and diversity, equity and inclusion (DEI) issues, and speaking out on social issues. The formula also calls for strong communications about what actions business leaders need to take to keep employees on their side.

Trust is built from the inside out, and a company won't be trusted by its customers if it's not trusted by its employees. 'The opposite of trust is control—you can't control people who have your trust: they have to find ways of doing things [for themselves] and be allowed to do it,' says Hans-Jacob Bonnier, executive vice president of his family's publishing company, Bonnier News Business.

Four actions you can take today

Four key moves can help companies create an environment that will close the trust gap with their employees.

1. Communicate the company's purpose and values. Family businesses believe they know what they stand for—79% say they have a clear purpose—but they do not make this the focus of their communications. Though 61% say their company purpose is communicated internally, only 46% write it down or publish it on their website. The business's values should be front and centre, set out clearly on the website and on all external and internal communications. Regular reporting should reinforce what the company is doing to demonstrate those values. An even more important priority is aligning the company's appraisal and reward system with the company's values and purpose. More than half of the survey's respondents do not do this.

Family businesses have traditionally shunned the limelight, but more are beginning to open up about how they operate and what they stand for. Recently, Thomas Brenninkmeijer, a fifth-generation member of the family that owns the major clothing retailer Cofra, told the *Financial Times* in a wide-ranging interview, ‘The important thing is that we attract around us a very large group of extraordinarily talented non-family members who have the exact same passion and view of the world and society.’

At Grupo HD Covalco, a leading supermarket chain in Spain, communicating with employees has become a goal in itself. ‘Everyone in our team understands who we are, what we do and why we do it,’ says Josep Saperas Aymar, the director general of the 93-year-old company and the grandson of the founder. ‘You communicate by example, not just words.’

2. Deliver on non-financial goals and values. Family businesses should be transparent about the progress they’re making on non-financial goals. There is strong evidence that employees want their employers to show commitment to ESG issues, and to be more transparent about their ESG activities. In PwC’s 2022 Global Workforce Hopes and Fears Survey, 53% of the 52,000 workers who responded said it’s important that their employer be transparent about the company’s impact on the environment, and 54% said it’s very important that their employer be transparent about its record on DEI. Yet only 37% of family businesses regularly communicate how they are performing against these types of non-financial commitments.

In our survey, only 34% of respondents said there was a person responsible for DEI, and only 43% had an ESG leader. If companies are serious about these issues, they need to appoint senior leaders who are responsible for making progress in these areas and reporting on that progress.

At W.L. Gore & Associates, the US family-run business that invented Gore-Tex, founders Bill and Vieve Gore were determined to create a company with diversity at its heart. ‘I dreamed of an enterprise with great opportunity for all who would join it, a virile organisation that would foster self-fulfilment and which would multiply the capabilities of the individuals comprising it beyond their sum,' said Bill Gore in 1961. In 2022, the company, which has revenues of US$3.8 billion, earned a rating of 95 out of 100 in the Corporate Equality Index, which measures organisational policies and practices related to LGBTQ+ workplace equality. 'Our associates are what differentiate us,' says the company's diversity statement. 'Diversity and inclusion are critical ingredients for sustaining an engaging working environment.'

3. Create opportunities for development and upskilling. Findings from PwC's Future of Work and Skills Survey show that companies that actively create opportunities for their employees to build skills achieve more consistent results, have greater earnings resilience, and demonstrate a superior ability to attract and retain talent. Yet, less than half of the 54,000 workers surveyed in PwC's 2023 Global Workforce Hopes and Fears Survey said their employers provide them with the opportunities to apply the skills that they think will be most important to their careers in the next five years. And although two-thirds of employees in that survey said they are confident their company would support upskilling, that still leaves one in three who are not.

The message: be clear about upskilling opportunities, and create clear pathways for advancement within the firm. These formal mechanisms will deepen employee trust. Germany's Freudenberg Group, for example, hires senior management from the ranks of its organisation whenever possible, rather than making external hires. 'When you talk of trust, you also have to talk of the relationships it's built on,' says Ralf Krieger, who sits on the group's board of management. 'That starts at the first interview and is built over the years.'

4. Listen to your people. Creating a culture in which employees can voice their opinions and concerns, knowing they will be taken seriously, builds trust. For the companies employing the 61% of respondents in the 11th Global Family Business Survey who said their workplace lacks a system for reporting misbehaviour, the remedy is relatively simple: introduce a formal, secure mechanism to report incidents, making sure that credible reports are acted on.

Many companies, for example, have a dedicated whistle-blower hotline. Companies should also have a process in place for employees to appeal management decisions.

One stumbling block is a perception gap between employers and employees when it comes to speaking up. PwC's 2023 Global CEO Survey of more than 4,400 leaders worldwide found that 56% of CEOs believe their managers encourage dissent and debate. And yet, 63% of employees polled in PwC's 2023 Global Workforce Hopes and Fears Survey said their bosses rarely encourage them to speak their mind.

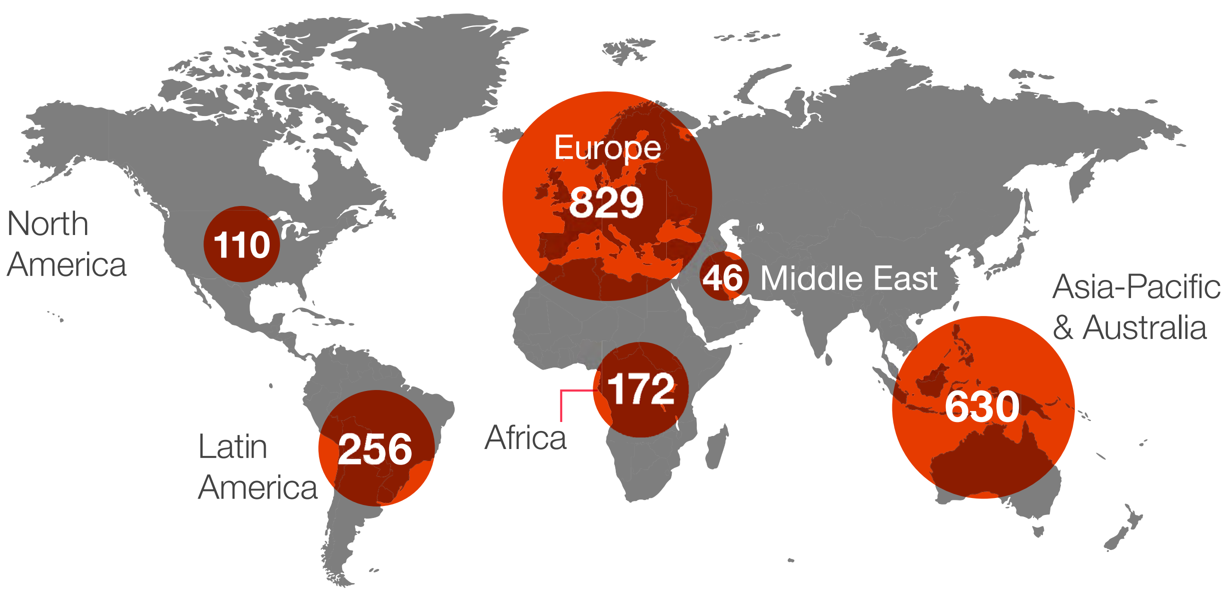
To their credit, the leaders participating in the 11th Global Family Business Survey seem to be aware of their own shortcomings in this regard: 78% of them admitted that they aren't very advanced in the area of enabling employees to appeal management decisions. The solution, however, may be more complicated than simply introducing a hotline; it will require creating a stronger culture of empowerment among rank-and-file workers. Empowering employees by giving them autonomy to make decisions will help bridge the trust gap. Culture should never be an afterthought in workforce strategy.

As noted in our overview of the survey findings, the trust advantage for family businesses is narrowing. The 2023 Edelman Trust Barometer notes that a decade ago, family businesses' trust score was 20 percentage points higher than non–family businesses'; today, the margin is just six points. Winning the trust of employees—by improving communications, delivering on ESG and DEI, creating development and upskilling opportunities, and empowering workers to speak up—will go a long way to regaining that trust premium.

About the Family Business Survey

PwC's 11th Global Family Business Survey is an international market survey of family businesses. The goal of the survey is to get an understanding of how family business leaders perceive their companies and the business environment. The survey was conducted online in collaboration with the Family Business Network International (FBN International). The survey conducted 2,043 interviews in 82 territories between 20 October 2022 and 22 January 2023. Respondents comprised businesses ranging from under US$10 million in revenues (24%) to multi-billion-dollar enterprises (6%). Close to half (47%) report annual revenues of more than US$51 million. Manufacturing accounts for 40% of the businesses surveyed, and 24% are in consumer goods, with the rest coming from financial services, technology and healthcare, among other industries.

2,043 interviews conducted globally



Get in touch

Peter Englisch
Global Family Business and EMEA Entrepreneurial and Private Business Leader, Partner, PwC Germany
peter.englisch@pwc.com
LinkedIn

Francesca Ambrosini
Family Business Client Programs, PwC United Kingdom
francesca.ambrosini@pwc.com
LinkedIn

Cydnee Griffin
NextGen and Family Business Program Manager,
PwC United States
cydnee.griffin@pwc.com
LinkedIn

Further reading

- https://www.pwc.com/gx/en/issues/trust/translating-trust-into-business-reality.html
- https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series/consumer-and-employee-esg-expectations.html
- https://www.pwc.com/gx/en/issues/workforce/future-of-work-and-skills.html
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