

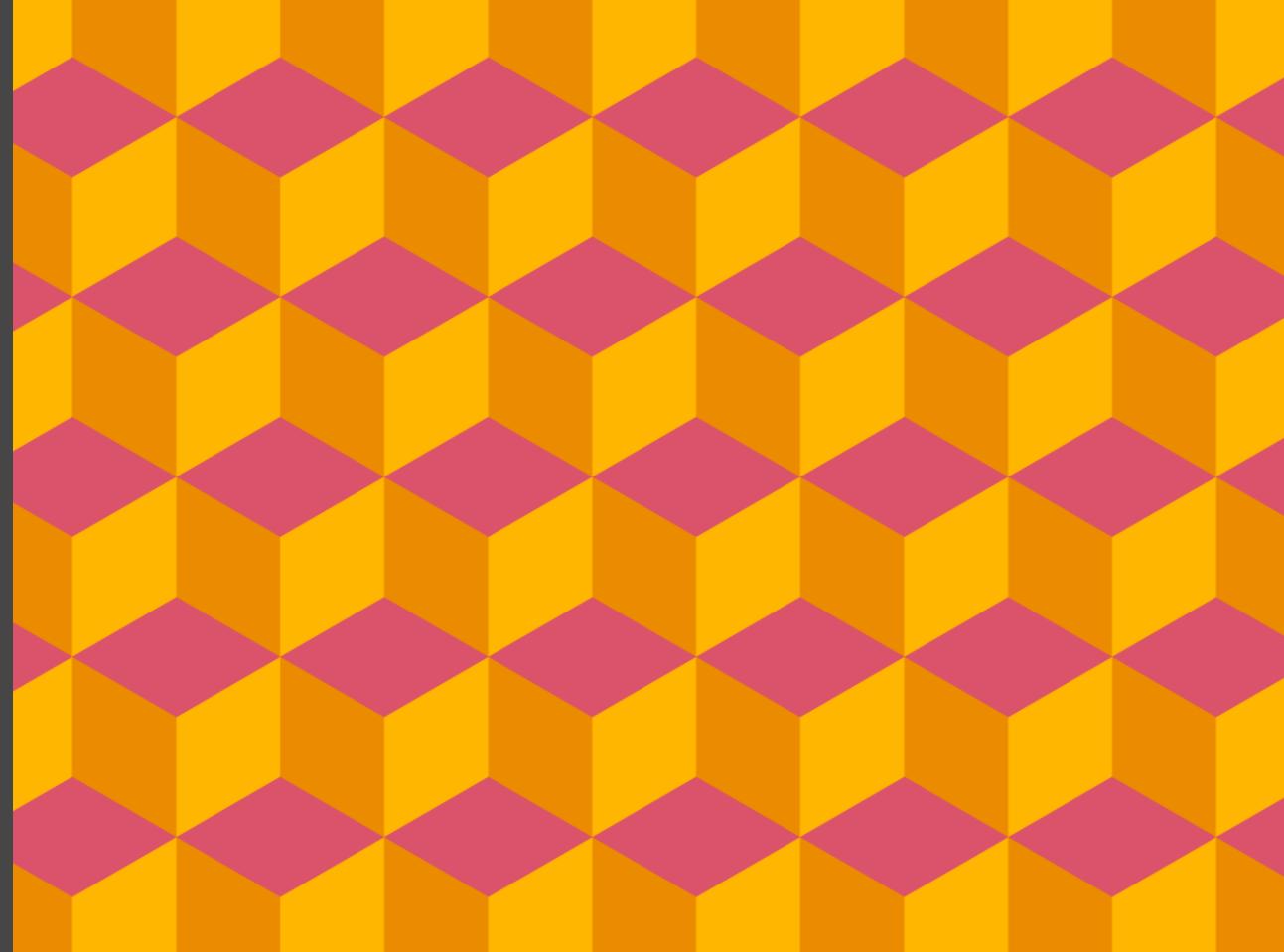
Next Gen survey

2019

Results and analysis for Central
and Eastern Europe

Poland, Russia, Romania,
Bulgaria and Albania

October 2019



“

Allow the newer generation to find
their talent and value adding strength
through trial and error.

- Second generation, Romania

Contents

Next Gen – CEE research headlines	4
Segmentation results for CEE	5
About the research participants in CEE	6-10
Detailed research hypotheses and results	11-34

CEE: Executive summary

A growing population of engaged Next Gen



Next Gen in CEE are currently less engaged in their family business compared with global peers, but engagement is growing. 53% are actively involved today, rising to 76% in future. By 2025, 47% expect to have Executive director roles, and 33% expect to be majority shareholders.



Changing customer needs is a key driver of disruption, cited by 26% as the top driver of change. Next Gen are also concerned about impact of changing technology and market competition, cited by 22% and 19% as top drivers respectively.



Next Gen across CEE see a focus on technology as important for their business's success, with 30% saying their business is currently behind peers in this area. 89% of Next Gen believe they can add significant value to help their business have a strategy fit for the digital age.



Peer networking is less common in Central and Eastern Europe, as Next Gen prefer to build their skills through formal education or attending conferences and seminars.



Level of expertise and experience within the family business are the most significant barriers to impact highlighted by 83% and 72% of Next Gen respectively.

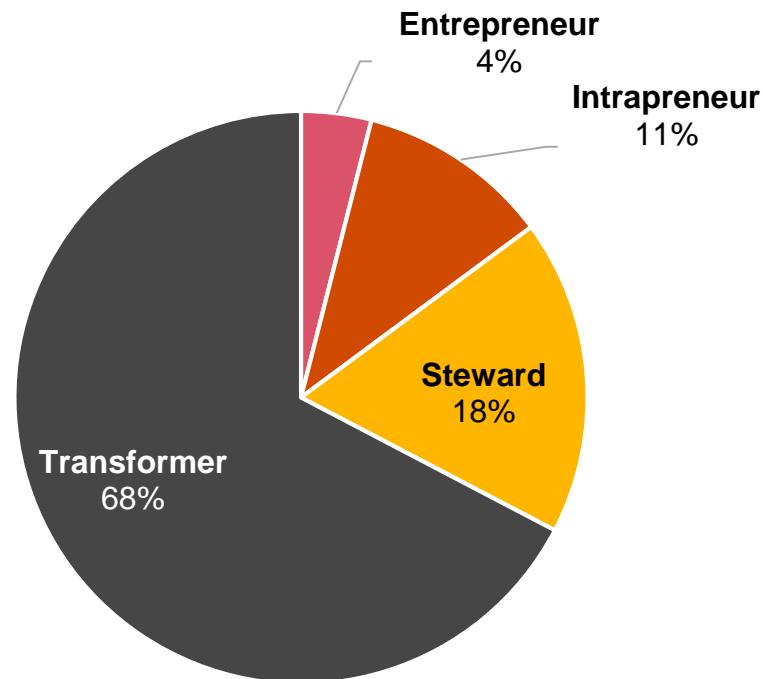


There is a much higher proportion of transformers in CEE: 68% fall into this segment compared with 46% across the global survey population.

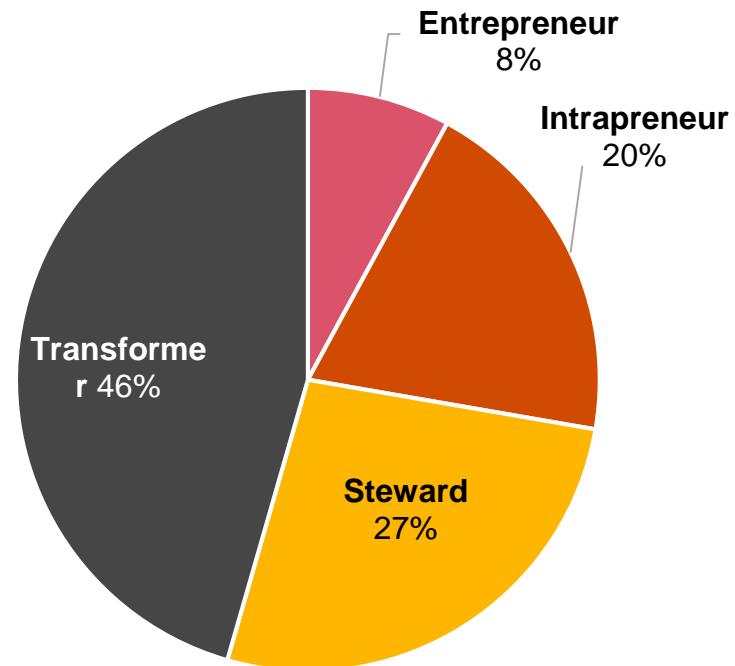
CEE: greater proportion of transformers

68% vs. 46% in the global Next Gen population

Central and Eastern Europe



Global – all Next Gen participants



Central and Eastern Europe

About the 40
research
participants

Next Gen survey participants

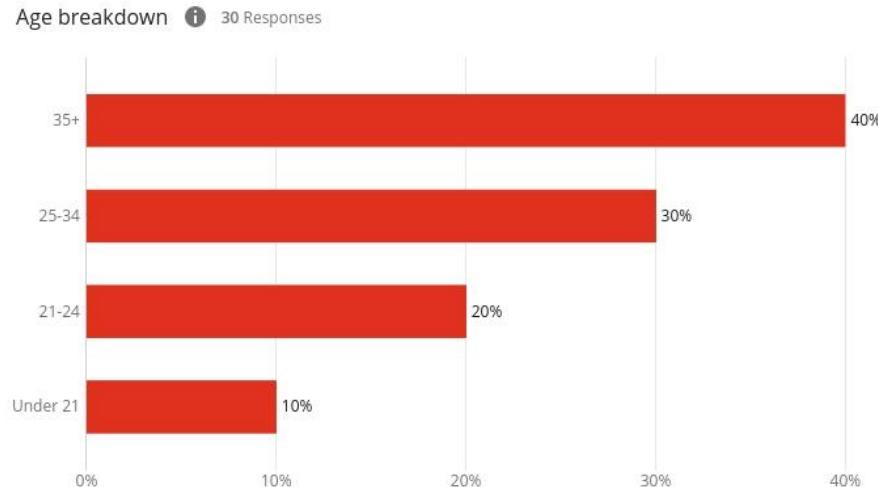
40 Next Gen across CEE



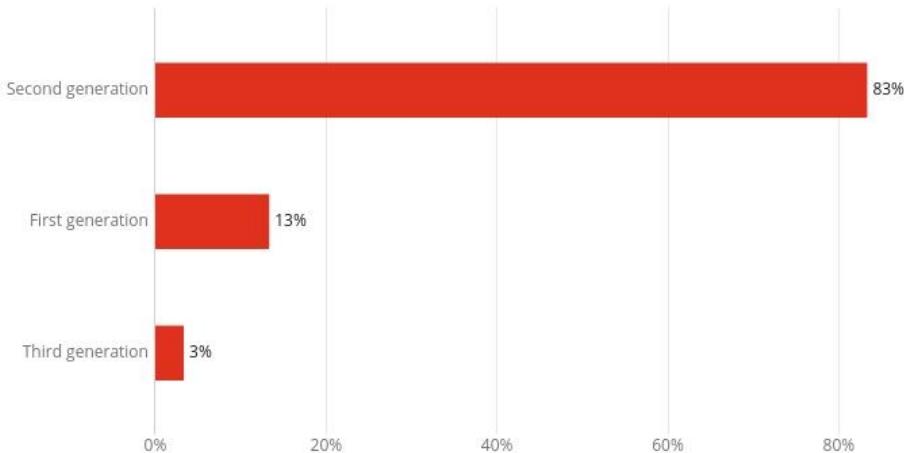
CEE: About the Next Gen individuals

Majority aged 35+ and second generation

57% male
43% female



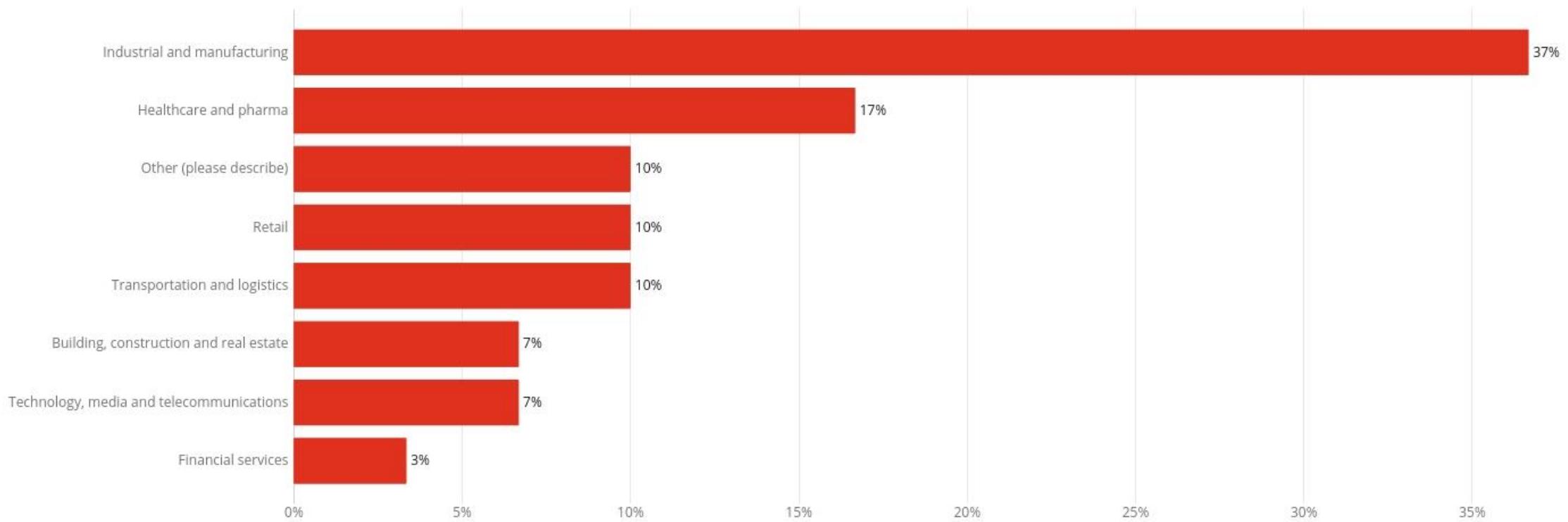
Generation breakdown 30 Responses



CEE: About their businesses

37% are in the industrial/manufacturing sector

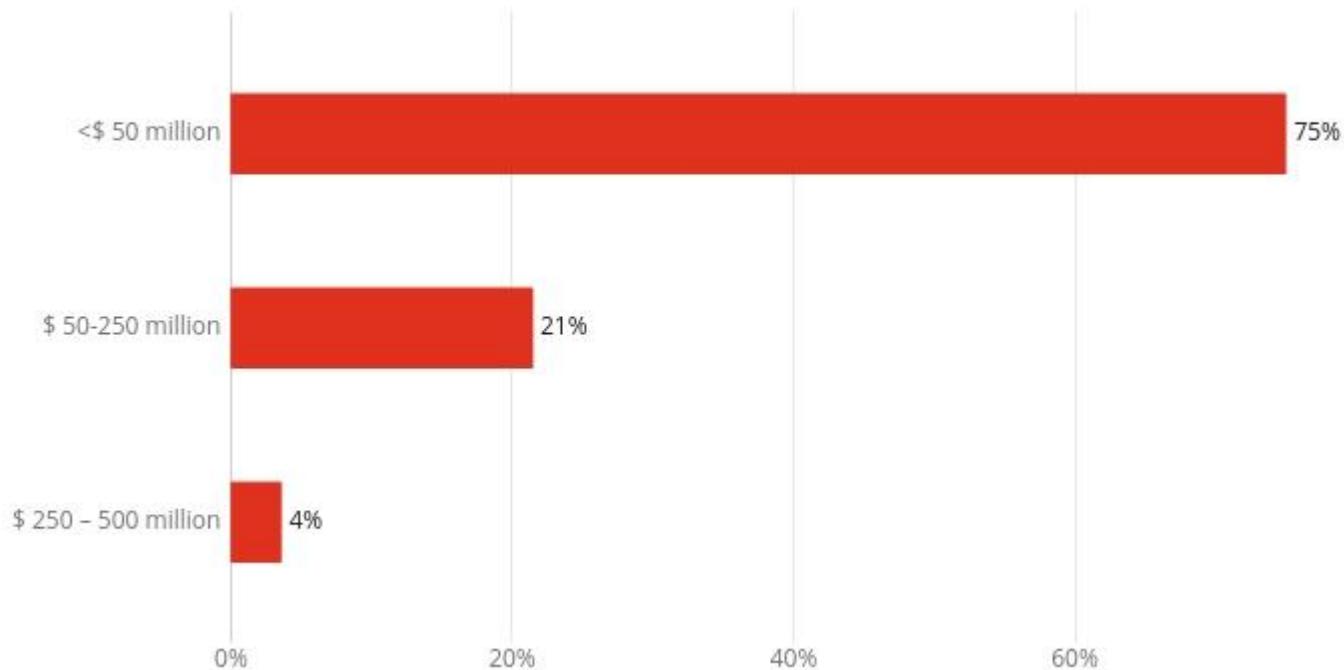
Sector breakdown 30 Responses



CEE: About their businesses

Majority have turnover less than \$50 million

Annual revenue breakdown 28 Responses



Central and Eastern Europe

Research
hypotheses,
headlines and data

Hypothesis:

Next Gen want to play an active role in the future success of their family business

Initial hypotheses:

- The wider Next Gen population have a genuine and conscious interest in the family business as future owners and/or managers.
- Next Gen are inspired by a broader sense of purpose beyond the pursuit of profit.
- Next Gen are integral to future success of family businesses (“don’t lose what you love”).

Survey results – CEE:

- 53% in Central and Eastern Europe are actively engaged in their family business today (the global average is 70%), with a further 23% expected to be engaged in the future.
- 37% of Next Gen in CEE have been given the opportunity to lead a specific change project.
- 23% are executive directors today; 47% expect to be by 2025 (which exceeds the global average of 41%).
- 20% are majority shareholders today, 33% expect to be by 2025.
- There is good alignment between what the Next Gen view as future business priorities and their capabilities and interests.

“

The current leaders should identify those who they feel can go on to a senior management role and have a clear conversation with that person and try to map out the next one, three, five, 10 years. Figure out what support, experience, education they require and revisit those requirements every six months.

- Global next gen participant feedback

“

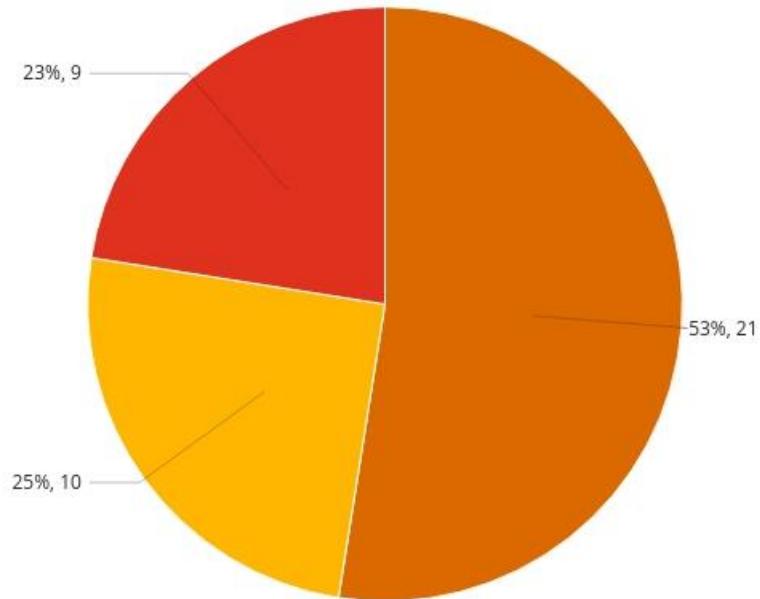
I think that we should be given more responsibility from an earlier age and that we should be able to understand how the business works in order to add input and help growth.

- Second generation, Bulgaria

CEE: Just over half engaged today

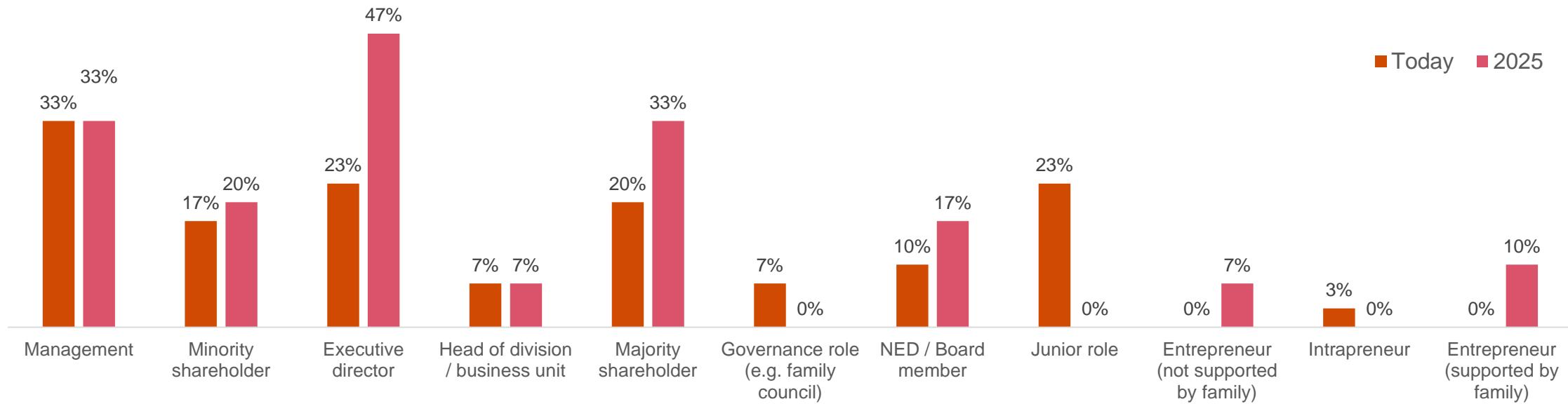
And a further quarter expect to be in future

Q0) Are you engaged in your family business? ⓘ 40 Responses



- Yes, I am engaged in my family business today
- No, I am not engaged today and will not be in the future
- No, I am not engaged today, but intend to be in the future

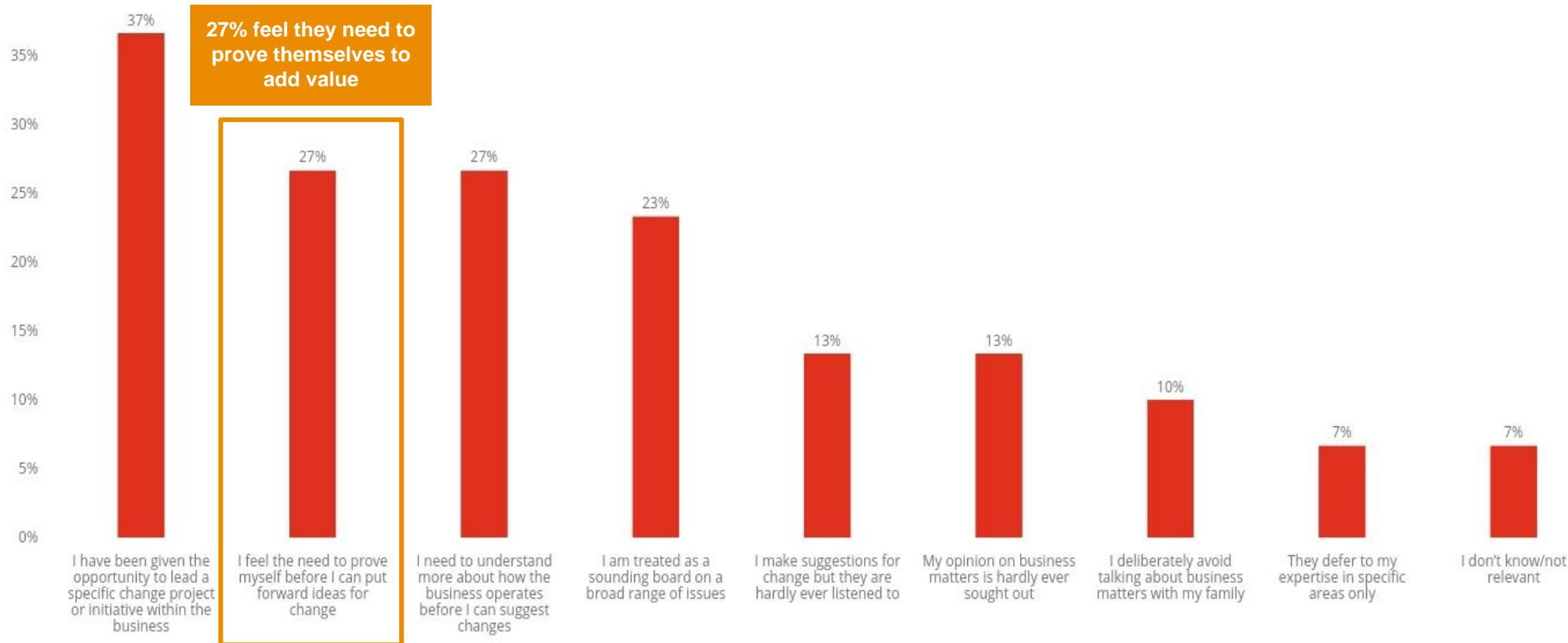
CEE: Nearly half expect to be Executive Directors by 2025



CEE: Next Gen given responsibility to lead

Only 23% treated as a sounding board

Q3) How would you describe your current level of contribution to the family business? 30 Responses



Hypothesis:

Next Gen are agents for change in a disruptive business landscape (1)

Initial hypotheses:

- Family businesses are facing multiple, disruptive threats to their future.
- Next Gen are attuned to the drivers of business transformation: being tech-enabled, having a customer-focus, being solution-based.
- Next Gen have ability to ensure their business is agile and responsive to external changes.

Survey results – CEE:

- Next Gen see the biggest drivers of change within their business as changing customer needs and behaviour (76%, with 26% ranking it a top driver) and changing technology (66%, with 22% ranking it a top driver).
- Similar to their global peers, top business priorities for Next Gens in CEE are professionalising and modernising management practices (97%) and talent (90% say change is needed around talent attraction and retention; 86% say this about upskilling staff). Having a business strategy fit for the digital age (86%) is also cited as a key area of focus.
- There is close alignment between business priorities and where Next Gen think they can add most value. This is particularly true for having a business strategy fit for the digital age, an area in which 89% of Next Gens say that they can add significant value.

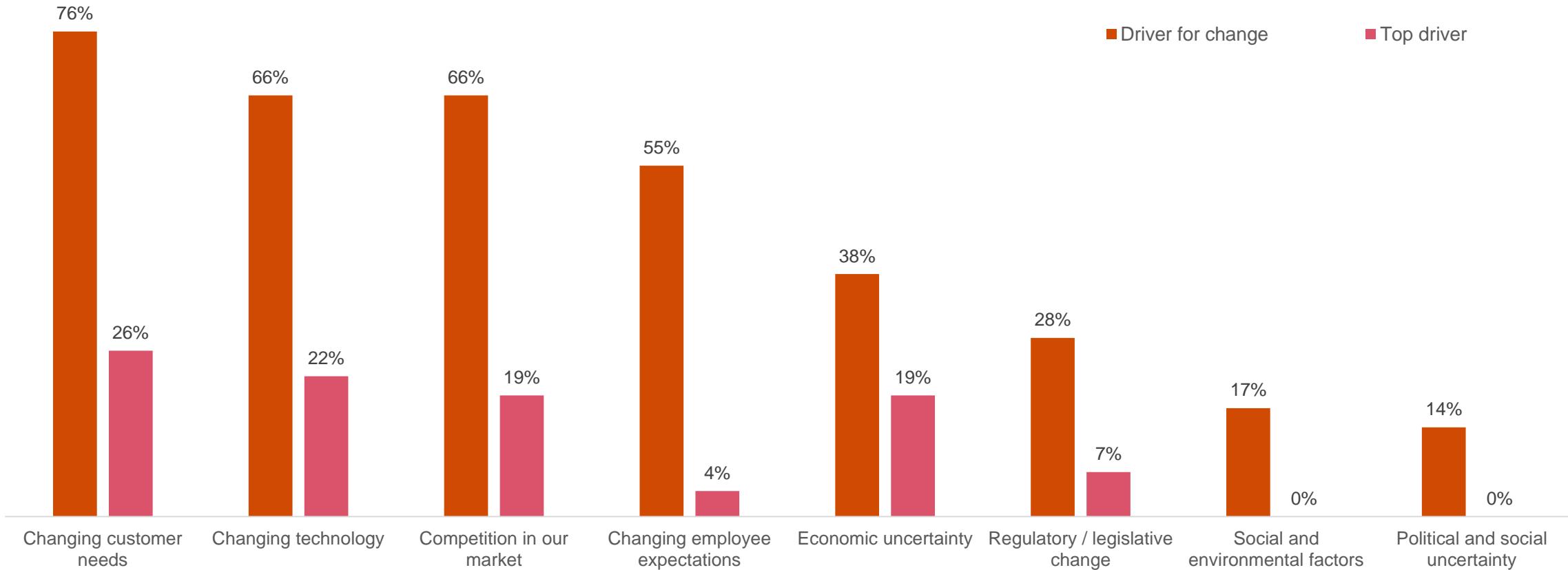
“ ”

Room for growth means that you will have to leave me room for mistakes. It's an uncharted path we're taking and I hope that you will give me both the benefit of the doubt as well as the benefit of your experience, so that the consequences of those mistakes will not be so drastic.

- Global next gen participant feedback

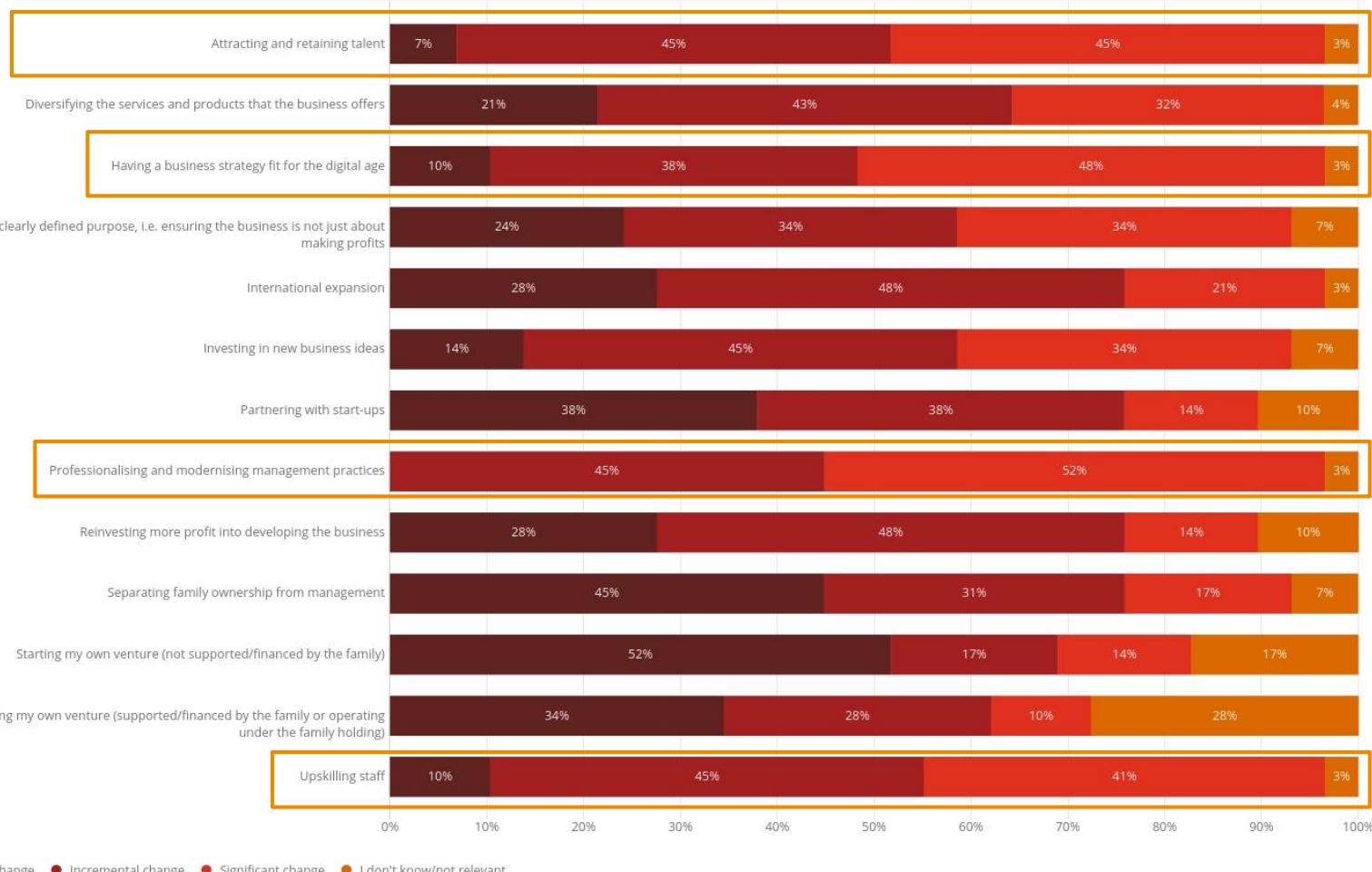
CEE: Changing customer needs the leading driver of change

Followed by technology and competition



CEE: Professionalising management practices and talent are key business priorities

Q4) What priorities do you think business should be focussing on? 29 Responses



“

Pay attention to the Next Gen's interests and education. Allow them to make own decisions and make them responsible for them. Be open to create organisational structure with managers.

- First generation, Poland

Hypothesis:

Next Gen are agents for change in a disruptive business landscape (2)

Initial hypotheses:

- Next Gen are well-placed to harness the tools to support business transformation: culture (people), organisational structure, and technology solutions.

Survey results – CEE:

- 96% of Next Gen across CEE believe they can add value around having a business strategy fit for the digital age, 89% of which feel they can add significant value in this area.
- 30% rate their family businesses worse than competitors on the effective use of technology, an area where Next Gens believe they can add significant value.
- The most relevant emerging technologies cited by Next Gen are IoT (82%) and Robotics (57%), which exceed the global averages of 71% and 47%, respectively.

“ ”

It is necessary but not sufficient to identify and respond to megatrends--that is the purpose of literally every strategic planning effort, and by definition many will settle on the same challenges. What matters more are the kinds of changes and surprises that most people miss, and an underappreciated challenge is the ruthless commodification that artificial intelligence and automation will bring to many industries. Our platform is well-suited to helping customers respond to such a world, and my outside experience will drive growth by scaling both revenue and margins.

- Global next gen participant feedback

“

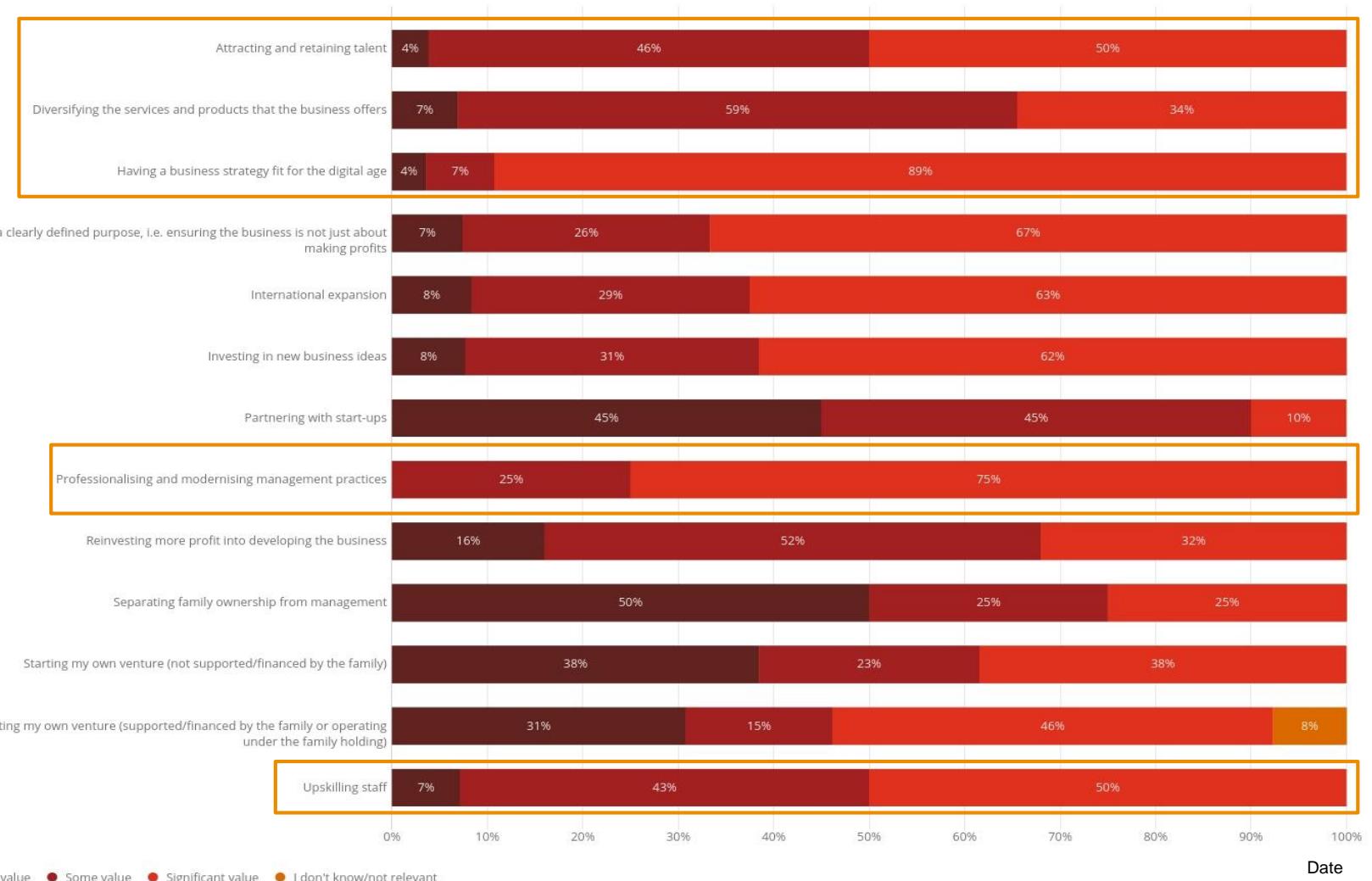
Next generation can talk and bring to the attention of current leaders innovations in technology, changes in client behaviour and activity of the competition.

- Second generation, Poland

CEE: Next gen believe they can add value to their organisation's digital strategy

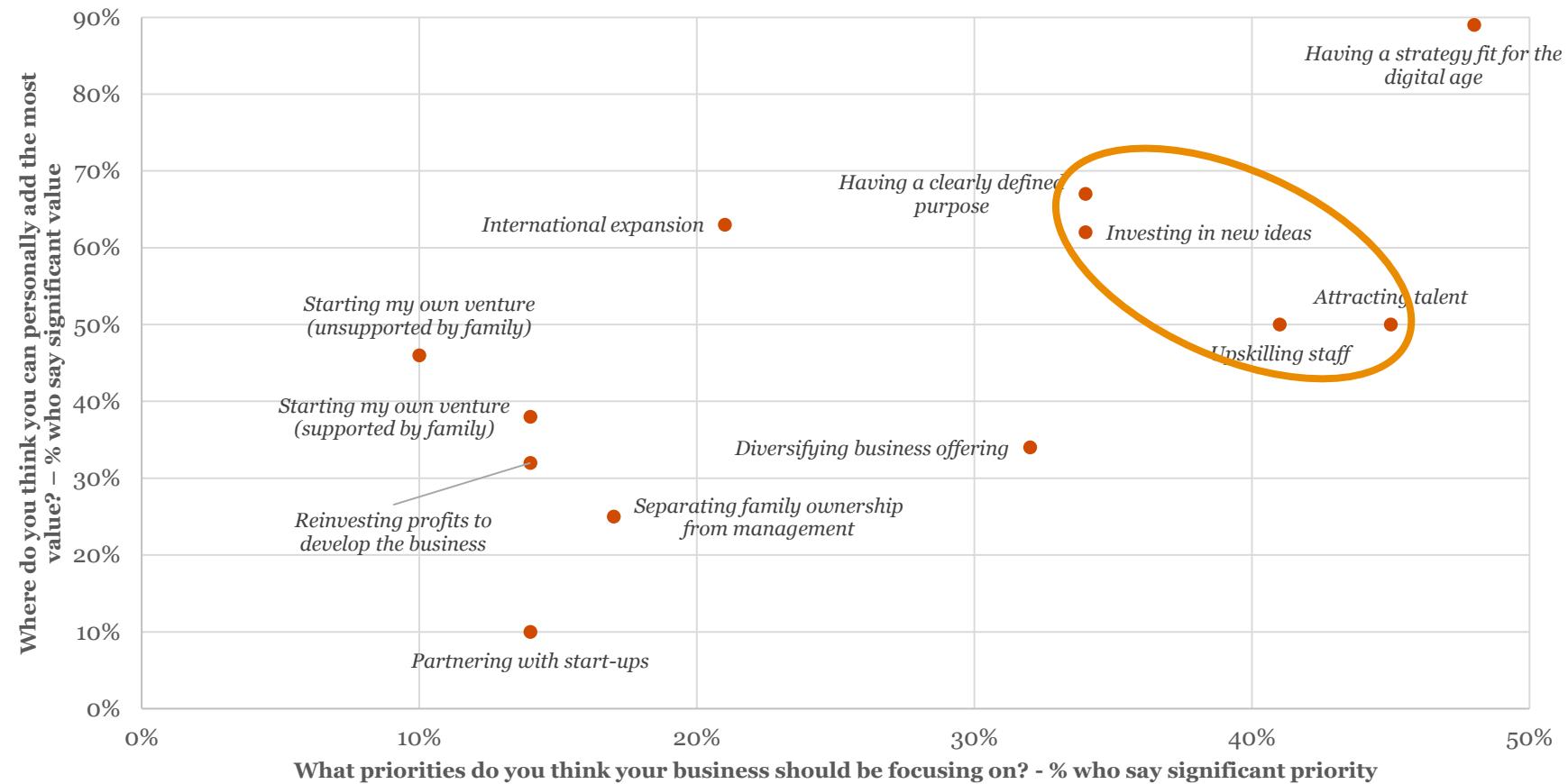
As well as management practices, talent development

Q5) Where do you think that you can personally add the most value to realising the family business' goals? 29 Responses



CEE: Good alignment between business priorities and Next Gen value-add

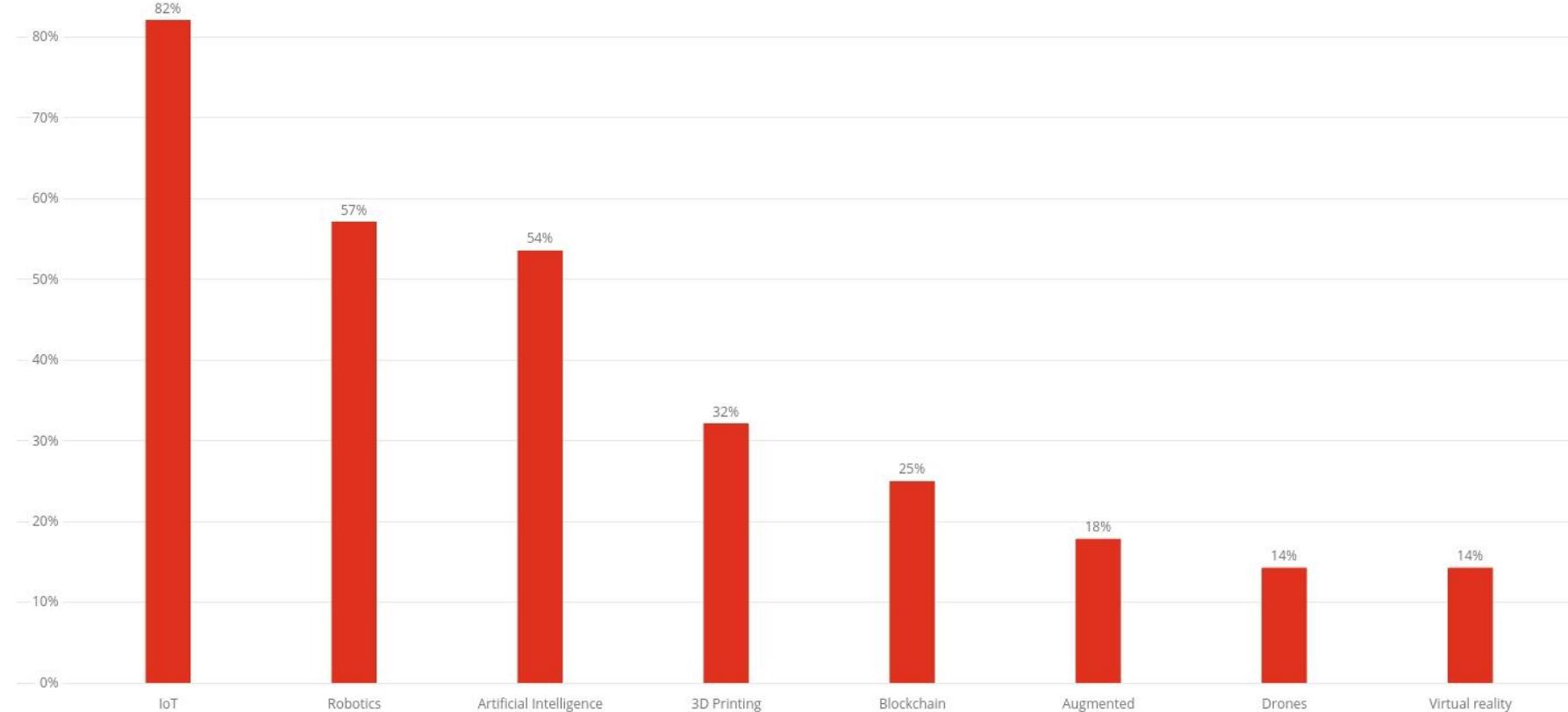
Digital strategy, innovation, talent, purpose



CEE: IoT and robotics focus areas of tech

Closely followed by AI

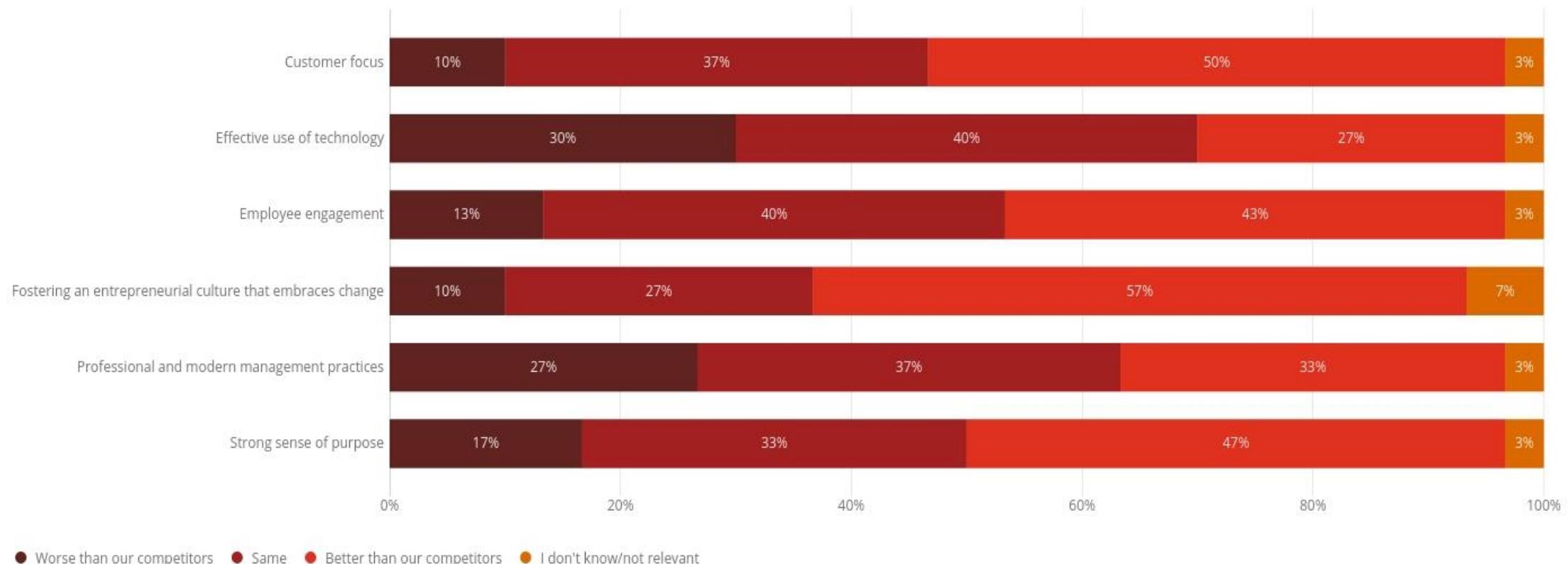
Q8) Which three "Essential Eight" emerging technologies do you feel will be relevant for your family business in the future? 28 Responses



CEE: 30% say their family business is falling behind for technology

50% say they are ahead for customer-focus

Q6) Compared to its competitors, how would you rate the family business on the following competencies? 30 Responses



Hypothesis:

Next Gen need to overcome barriers to gain their licence to change/operate

Initial hypotheses:

- Common resistance points include: communication challenges, cultural differences between generations, legacy restrictions and self-doubt/psychosocial factors.
- There are solutions for overcoming these constraints.
- Expectation misalignment between different generations means Next Gen need to show where they can add value to the business – they need to have more confidence in what they can offer.

Survey results – CEE:

- 83% say their current level of expertise is a constraint on having the impact they would like, of which 28% say this is a major constraint.
- 77% say that skills development would help them to add more value to the family business
- A large majority, 90%, develop skills through college/university. Fewer take advantage of secondments (37%) and peer to peer learning (37%). Only 20% saying that secondments or rotations within the business would help them to add value to the business
- 28% say level of confidence/self-doubt is a major constraint on their ability to have a greater impact in the business.

“ ”

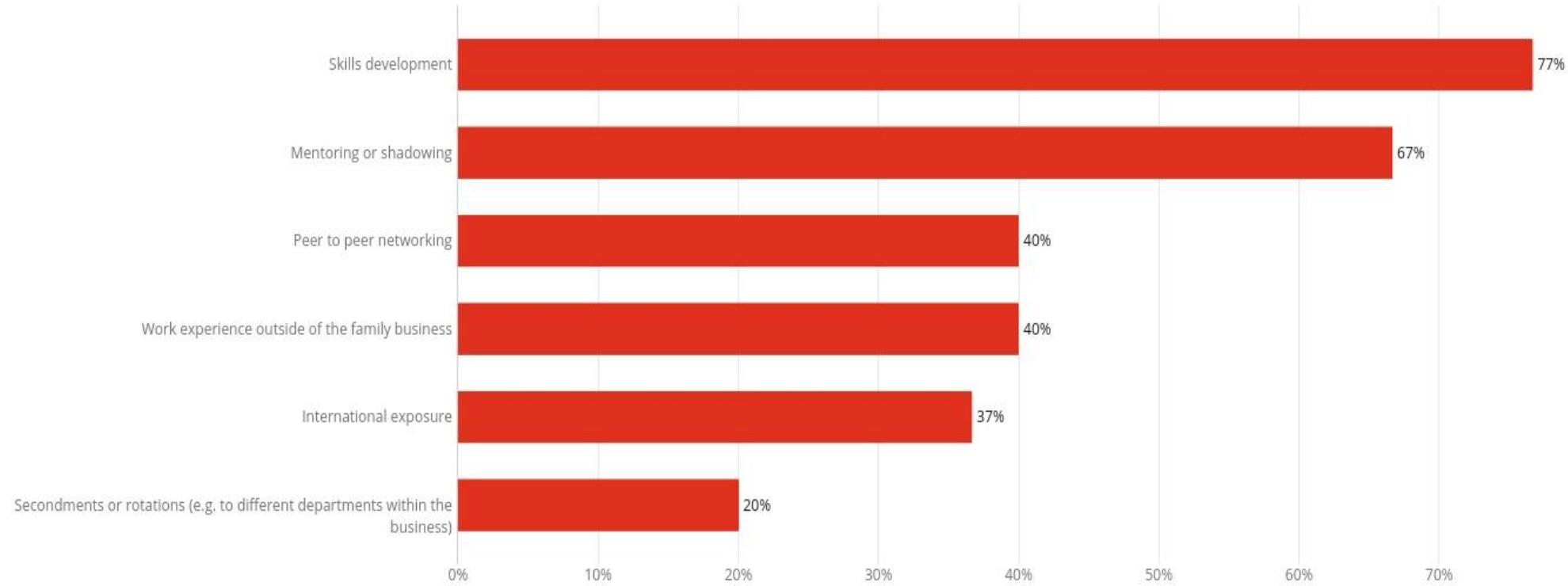
It is challenging for those who have been in the business a long time to trust the vision of the younger generation and not micromanage their work. This is a constraint and must be minimized to facilitate effective day-to-day operations.

- Global next gen participant feedback

CEE: 77% want skills development

Secondments/rotations less highly sought after

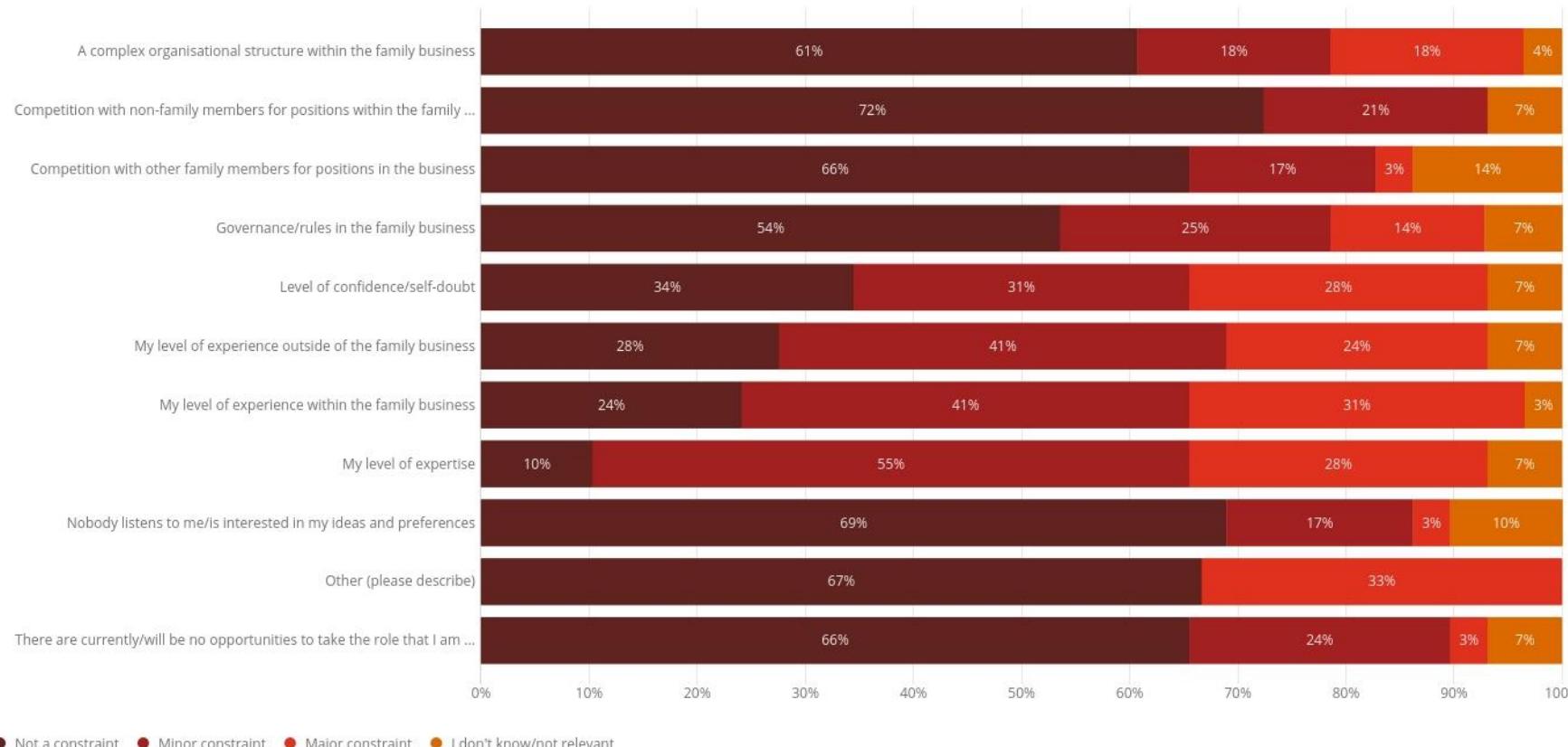
Q9) What would help you to add more value to the family business? 30 Responses



CEE: Level of expertise and experience the main barriers cited by Next Gen

Alongside levels of confidence and self-doubt

Q14) To what extent do the following potential constraints prevent you from having the impact that you would like within the business today? 29 Responses



Hypothesis:

Honing their personal competencies will help Next Gen have greater impact

Initial hypotheses:

- Next Gen need to align their skills development with future needs of the business.
- There is no single route to success: Next Gen have multiple, fluid paths open to future success.
- Next Gen are ambitious and aspirational, but want flexibility in how they manage their careers.

Survey results – CEE:

- Next Gens are taking advantage of group learning methods to develop skills and competencies (73% are doing so via conferences or seminars).
- Specific skills seen as essential for Next Gens are leadership, and problem solving and strategic skills (both 73%, the majority). These findings are in line with the global figures.
- Next Gens' desire for leadership skills align with the finding of nearly half (47%) of respondents who aspire to Executive Director roles by 2020.

“

By allowing for incremental changes based on ideas of the new generation, inter-generation trust can be built.

- Global next gen participant feedback

“

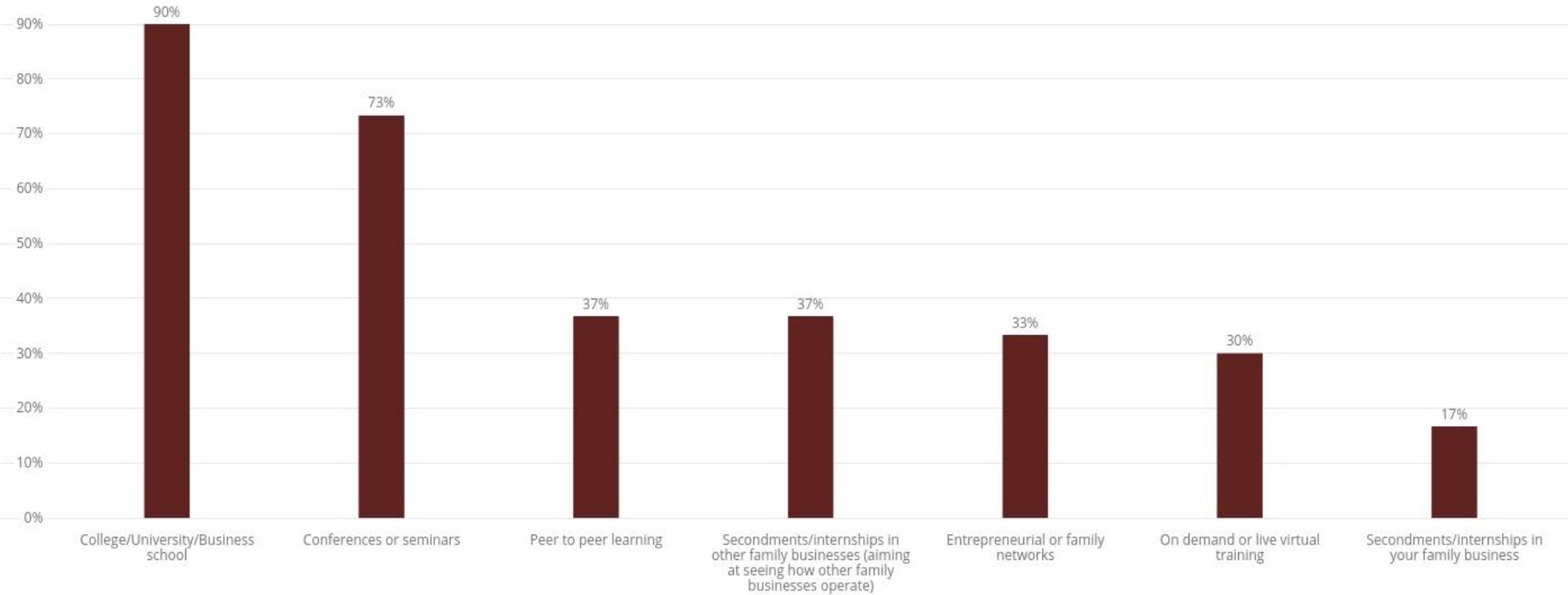
I think professionalisation is the biggest issue in current generation of leaders in my family business. One way to fix this problem would be attending seminars.

- Third generation, Poland

CEE: 90% acquire skills through formal education

Conferences/seminars are also a popular option

Q13) How are you acquiring these skills and competencies? 30 Responses



CEE: 73% say problem solving essential

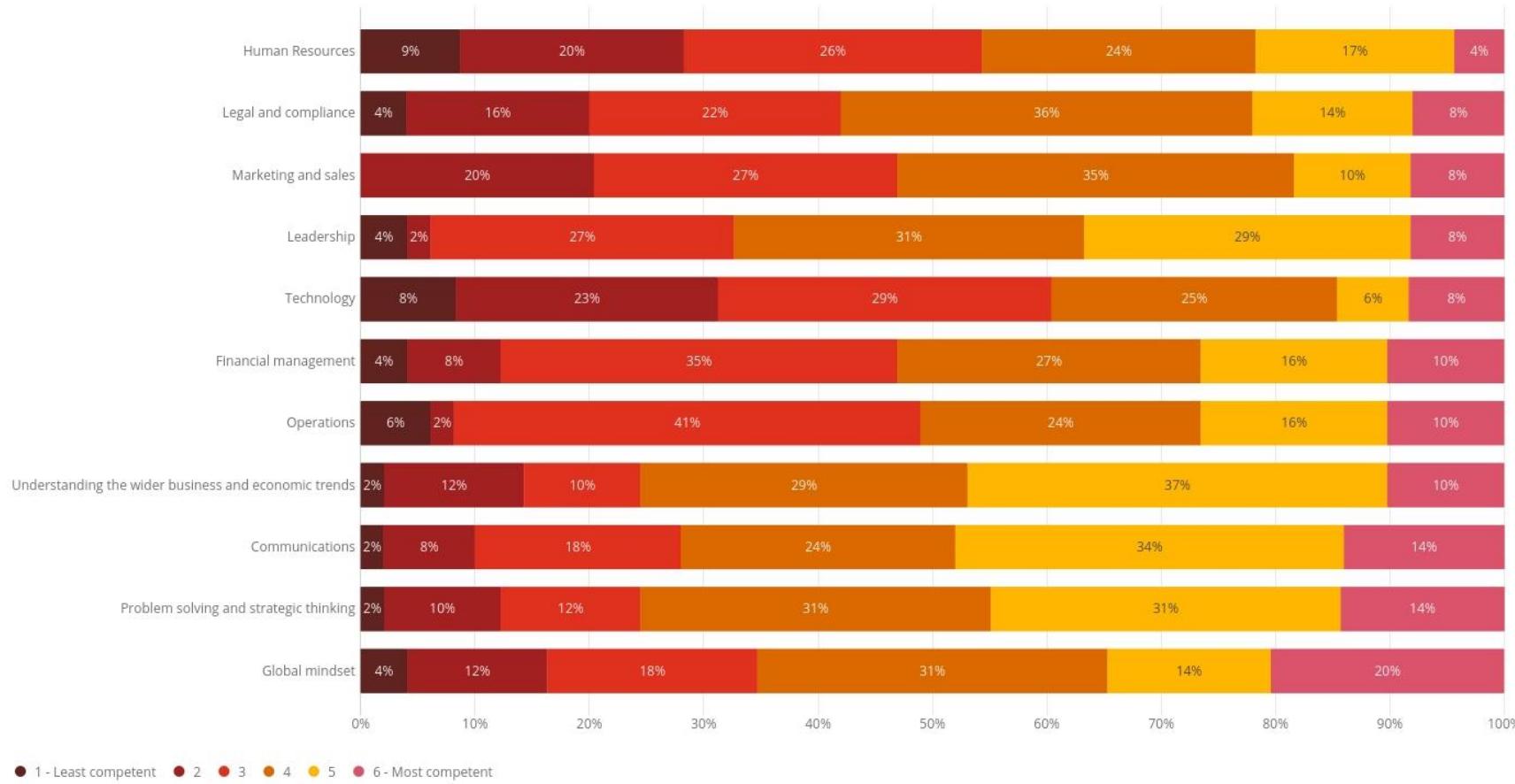
Fewer focused on legal, global mindset or ops



CEE: Communications, understanding business trends, problem-solving

All identified as strong competencies for Next Gen

Q12) Rate, from 1 to 6, how competent you currently are with each of these skills (1 = least competent, 6 = most competent) 50 Responses



Contacts



Piotr Wyszogrodzki – PwC CEE Entrepreneurial and Private Business Leader

Tel: [+48 5 0218 4277](tel:+48502184277)

E-Mail: piotr.wyszogrodzki@pwc.com



Jeff McMillan – PwC CEE Brand & Communications Director

Tel: [+48 519 506 633](tel:+48519506633)

E-mail: jeffery.mcmillan@pwc.com