

Family Business Survey 2018
(Nigeria)

Building a lasting
competitive
advantage through
your values and
purpose in a
digital age



#pwcforfamilybusiness
pwc.com/fambizsurvey2018



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Executive summary

The key findings from this report are as follows:

1

Growth among Nigerian family businesses over the last 12 months is lower than the global average.

53% of Nigerian family businesses have seen growth over the past 12 months, including 20% who have seen double digit growth. Globally, 69% of family businesses grew. However, 87% of Nigerian family businesses expect to grow over the next two years, which is slightly higher than the global average (84%). Additionally, businesses in Nigeria are more likely to say growth will be quick and aggressive (40% vs. 16% globally).

2

Family businesses in Nigeria are more likely than the global average to cite the economic environment and corruption as key challenges over the next two years.

Regulation is mentioned by more than half. In terms of important personal and business goals, profitability is crucial (93% cite this), along with the maintenance of the best talent (via recruitment and retention) and contributing to the community.

3

33% say they have a formal mid-term strategic plan in place (the global average is 49%).

In addition, more than half (53%) of Nigerian family businesses expect to change their business model (vs. 20% globally) and approaching half (47%) of these businesses will earn the majority of revenues from new products and services (vs. 18% globally). There is a lower level of diversification in Nigeria than average with only 7% operating in multiple sectors and markets (the global average is 26%).

4

73% of Nigerian family businesses feel they will have made significant steps in terms of digital capabilities in the next two years (higher than the 57% who say this globally). Nigerian family businesses have a slightly lower level of perceived vulnerability to digital disruption (23%) or a cyber-attack (33%) compared with the global average.

5

10% of businesses have a robust, documented and communicated succession plan in place (slightly lower than the global average of 15%). 77% of family businesses in Nigeria plan to pass on management and/or ownership to the next generation.

6

67% of Nigerian family businesses have a clear sense of agreed values and purpose as a company but only 43% have these values or a company mission in a written format (the global average is 49%). 70% express a commitment to Corporate Social Responsibility.

7

Women average 30% of board members in Nigerian family businesses (vs. a global average of 21%) and 27% of people on the management team (24% globally).

The implications of the findings for different stakeholders, such as family businesses, banks, governments/regulators, are as follows:

For Family businesses:

- Family businesses that are established with sound values and purpose will have a competitive edge in challenging and disruptive periods. There is an enormous opportunity for family businesses to start generating real gains from their values and purpose by adopting an active approach that turns these into their most valuable assets.
- To ensure business sustainability and transgenerational growth, family businesses could consider developing risk management and mitigation policies/frameworks. Policies and frameworks to consider include; family governance mechanisms such as family constitution, family council, shareholders agreement, last testament/will and conflict resolution mechanisms.
- To guarantee wealth preservation, there is opportunity for family businesses to develop a robust, formalized and communicated succession plan that involves establishing a trust fund or family office, in addition to the last will and estate planning. This is central to business continuity and for the

sustenance of a lasting legacy.

- Opportunity for family business owners that are committed to, and adhere to a deep sense of social responsibility and sustainability to invest their assets and wealth in a manner that is consistent with their values via the environmental, social and governance (ESG) framework for portfolio selection and investment analysis.

For banks and advisory firms:

- Financial institutions could offer innovative solutions that are tailored to meet the needs of family-owned businesses, especially within the country's peculiar socio-economic environment. PwC survey indicates a growing awareness of the importance of a customer-centric model, but a significant gap in preparedness. Sixty-one percent of bank executives say that a customer-centric business model is 'very important', and 75% of banks are making investments in this area. Yet, only 17% feel 'very prepared'.
- Driven by the need to diversify their funding sources, 63% of Nigerian family businesses are planning to

bring in private equity and 40% consider private equity as the most attractive source of funding for their business. Overall, 37% are planning to use venture capital to help fund the business.

- There is also the opportunity to develop and offer capacity-building and advisory solutions to family-owned businesses to aid the transgenerational growth and sustainability.

For government/regulators:

- There is an opportunity for regulators to develop policies and initiatives that support the growth and development of family businesses in Nigeria. Family businesses represent 30% of all companies worldwide with sales of over \$1 billion, only 30% make it beyond the first and second generations, 15 percent make it to the third generation and 10 percent to the fourth generation.

Foreword

Family businesses dominate the economic landscape. According to 2017 data from the Family Firm Institute, family firms account for two thirds of all businesses around the world, generate around 70-90% of annual global GDP, and create 50-80 percent of jobs in the majority of countries worldwide. It is important that these businesses grow and outperform global average if Nigeria must exceed.

PwC Nigeria's maiden edition of the Family Business Survey report comes at a period of economic recovery. Family businesses (FBs) in the country are optimistic about future growth. In order to realise this growth ambition, majority of FBs are considering private equity as a source of funding for business expansion and diversification. This report is also being published at a time when technological transformations and digital disruptions are revolutionising whole industries. The pace and transformative power of technology means that Nigerian family businesses cannot afford to ignore the digitisation trend.

The Family Business Survey is an annual global market survey among key decision makers in family businesses within a number of PwC's key territories. Every two years, PwC global conducts the survey globally to explore the trends in family businesses. The survey covers questions on the family business' values and purpose, performance and challenges, as well as preparations for the future. For this year's report, we surveyed 2,953 companies in 53 territories, covering a wide range of sectors, from agriculture to technology.

The goal of the survey is to get an understanding of what family businesses are thinking on the key issues of the day. The theme of this year's publication is **"Building a lasting competitive advantage through your values and purpose in a digital age."** The fundamental philosophy behind this year's theme is that family businesses – built around strong values and with an aspirational purpose – have a competitive advantage in disruptive times. There is an enormous opportunity for family businesses to start generating real gains from their values and purpose by adopting an active approach that turns these into their most valuable asset.

We hope you'll find the report valuable and that its insights will help you make better decisions for your family business.



Uyi Akpata
Country Senior Partner



Taiwo Oyedele
Partner & West Africa Tax Leader



“In Nigeria, family businesses abound but majority have never made it past the 3rd generation... Family businesses built around strong values and with an aspirational purpose in mind have a competitive advantage.”

Introduction



Esiri Agbeyi
Partner & Head, Private
Wealth Services

Globally, transgenerational family businesses have been operating for centuries with more than 3 generations at the helm of affairs. In 2017, the Successful Transgenerational Entrepreneurship Practices (STEP) conducted a survey of over 350 successful transgenerational family businesses operating across 11 countries globally focused on the question: What makes family businesses entrepreneurial and successful across generations?

In Nigeria, though family businesses abound, majority of these businesses have never made it past the 3rd generation. From the family business survey, we discovered that 77 percent of family business owners in Nigeria expressed their intent to pass their organisations to the next generation.

Despite this intent, the survey revealed that appropriate structures for ensuring this occurs is mostly lacking among family businesses (FBs) in Nigeria. Some of these structures include defining how ownership and leadership is transferred. Only 13 percent of FBs revealed they have such structures in place including policies and procedures that have significant impact on business continuity such as Testament/Last Will.

Furthermore, only 10 percent of Nigerian family businesses have a robust, formalised and communicated succession plan in place. Developing a long-term plan will assist in the continuity of the family business. There are several options to ensure business continuity, each comes with its pros and cons and planning properly ensures the family business stays ahead of the game.

We are in an era of tremendous change! The pace and transformative power of technology is disrupting traditional business models and industries. Sustainability is creating a paradigm shift in the way organisations conduct business. We are also living through a period where the principle of mutual trust is more fundamental to corporate success than ever before. At such a time, we are convinced that family businesses – often built around strong values and with an aspirational purpose in mind – have a competitive advantage.

I appreciate you for taking the time to read this publication. I hope you find the content insightful and invaluable to you and your business.

A handwritten signature in black ink, appearing to read 'Esiri Agbeyi', written in a cursive style.



01

Growth -
and how to
sustain it

53% of family businesses experienced growth...

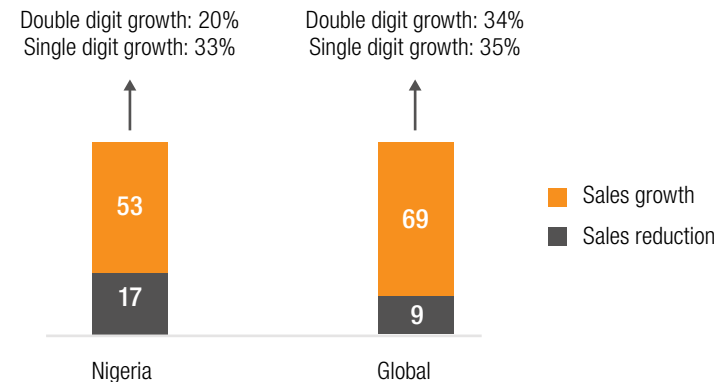
Given the significance of family-owned businesses in Nigeria, PwC interviewed key decision makers in the country where 17% of the sample size recorded turnover of over US\$1 billion. 13% of the businesses surveyed recorded sales between US\$501 million to US\$1 billion, while 37% had turnover of US\$10 million and under. Growth among Nigerian family businesses over the last 12 months was lower than the global average. Globally, 69% of family businesses grew, while in Nigeria, 53% experienced growth (including 20% who witnessed double digit growth in their businesses).

According to the global survey, businesses generating double-digit growth had their values clearly articulated in written form. The message is clear: adopting an active stance towards values really pays off.

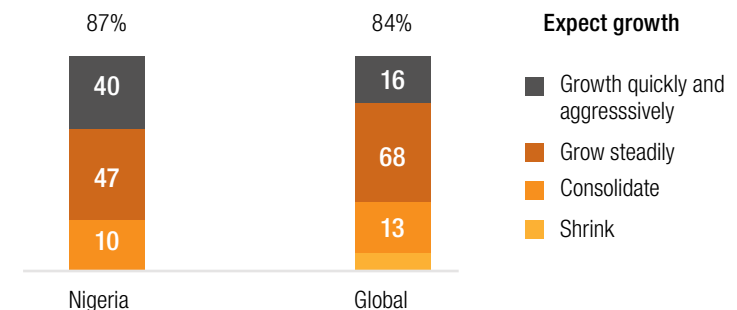
In spite of this, 87% of family businesses in Nigeria are more optimistic about their growth expectations over the next two years, which is slightly higher than the global average (84%). Additionally, businesses in Nigeria are more likely to say growth will be quick and aggressive (40% vs. 16% globally).

Nigeria's economy is in recovery. The country fully exited its first recession in more than a decade in 2017. Since then, the economy remains fragile. The FY 2018 GDP results by the National Bureau of Statistics (NBS) showed real GDP growth for 2018 at 1.9%. The World Bank and IMF have predicted that the Nigerian economy will grow by less than 3% in 2019. PwC estimates 2.5% real growth. Subsequently, the economic environment continues to be a source of concern for family businesses.

Growth in last financial year



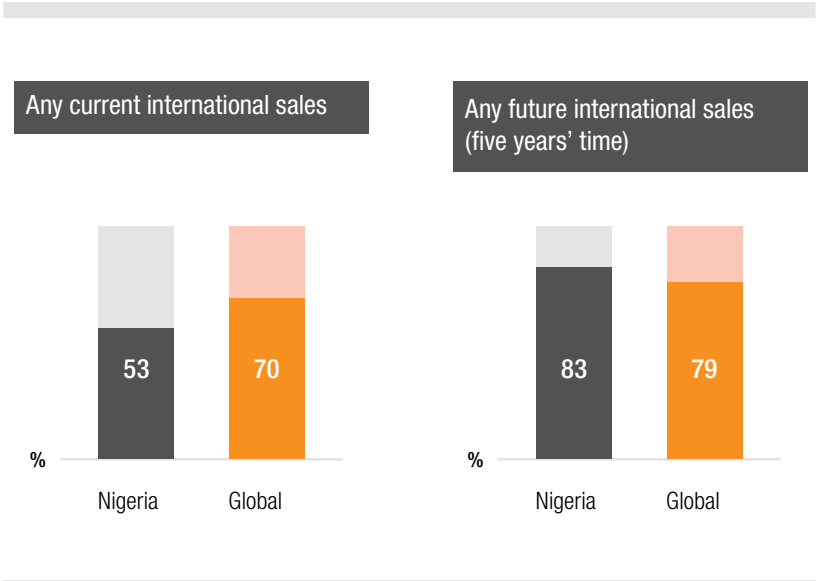
Growth aims over the next two years



83% of FBs are optimistic on future sales via export of goods & services

53% of family businesses in Nigeria currently export their goods or services, which is lower than the global average. Nigeria is the 49th largest export economy in the world (2017 estimates) and the oil and gas sector contributes, on average, over 90% of export earnings and 70% of government revenues.

According to the National Bureau of Statistics (NBS), total export value stood at N19.1 trillion in FY2018 representing an increase of 41% over FY2017 exports of N13.6 billion. Non-oil exports represented 6.24%, while other oil products accounted for 11.43% of total exports in the period under review.



Despite the lower non-oil exports relative to oil exports, 83% of family businesses in Nigeria are optimistic about their future international sales in 5 years' time. The optimism is not farfetched. In 2018, exports of agricultural products, raw materials and manufactured goods increased significantly by 77.4%, 21.5% and 178.3% respectively.

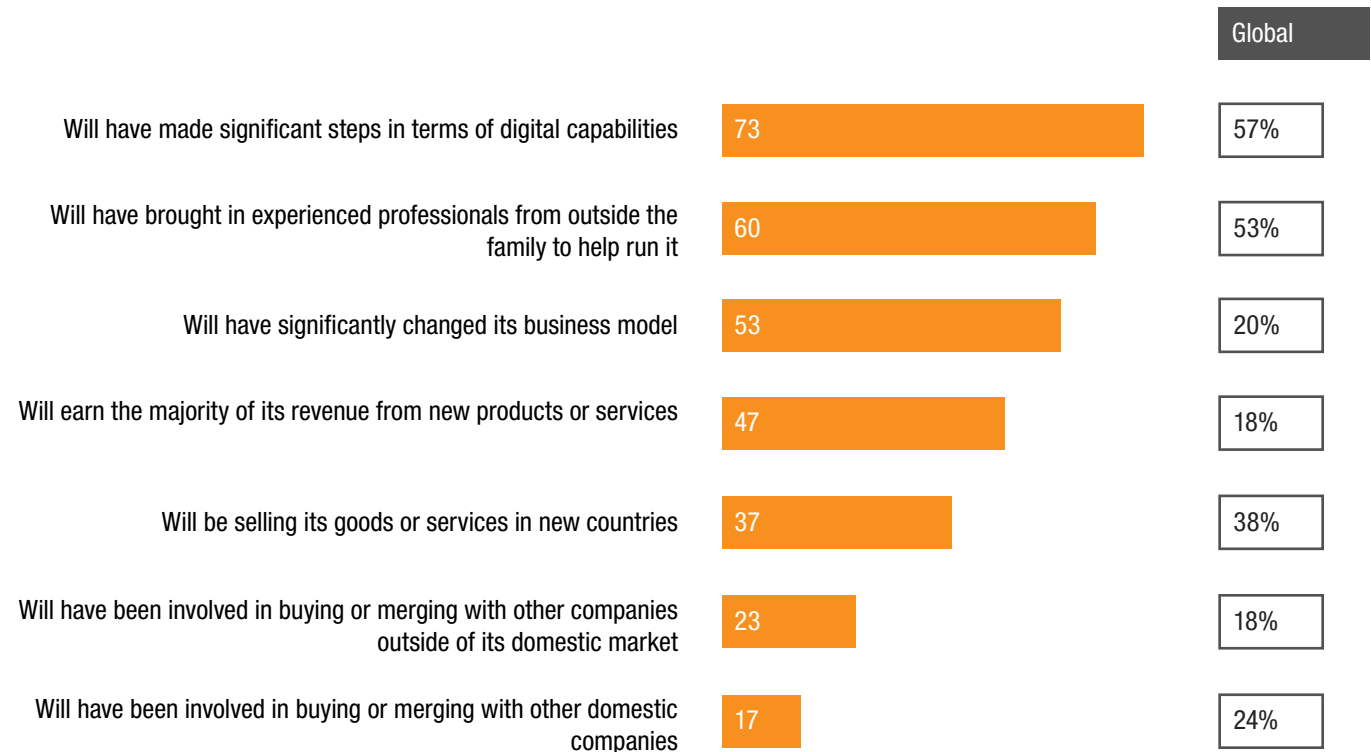
10 countries account for over 70% of Nigeria's total exports. The countries comprise: India, Spain, France, South Africa, Netherlands, Indonesia, Brazil, United Kingdom, United States and Canada. All these economies import mainly raw materials comprising mostly commodities, especially crude petroleum from Nigeria.

More than 50% of FBs expect to change business model

In achieving their growth expectations over the next two years, 73% of Nigerian family businesses intend to make significant steps in terms of digital capabilities in the next two years (higher than the 57% who say this globally). In addition, the FBs plan to bring in experienced professionals from outside the family to help manage the business, while more than half (53%) expect to change their business model (vs 20% globally). Nearly half (47%) aim to earn the majority of their business' revenues from new products and services (vs. 18% globally).

Globally, family businesses continue to diversify their business and country operations within the scope of their core focus and strengths. According to PwC's strategy+business, there are only two reasons to diversify. The first is to use your company's way of creating value and its distinctive capabilities to generate new avenues for profitable growth. The second reason is to strengthen your company's current business, by enhancing either its capabilities or its value proposition.

Likely true of business in 2 years (Top 2)





02

Challenges faced by family businesses

“Family businesses that are able to withstand external shocks in the economy are those that have built mechanisms to weather the storms that occur in the global and local economic spheres.”



Andrew S. Nevin
Partner & Chief Economist
PwC Nigeria

Family businesses must design strategies aimed at withstanding external shocks

The IMF has predicted that the world economy will likely experience a slowdown in growth at 3.3% in 2019 from 3.6% recorded in 2018. This is premised on reinforcing global challenges including the US-China trade war, Brexit deadlock, China's surfacing fiscal deficit, the impact of climate change and terrorism. Emerging economies are expected to do slightly better in 2018, inching up in growth from 4.4% to 4.8%, driven by some bright spots in Africa and Asia. 6 out of the 10 fastest growing economies are projected to be in Africa in 2019.

The economic recovery in Nigeria has been tepid, with GDP growth still below population growth. PwC has forecasted growth rate of 2.5% in 2019. The annual inflation rate has persistently remained in the 11% to 12% range since May 2018. The Naira has also remained very stable

against the US dollar and other currencies at both the official and parallel markets.

All these and other economic indicators have consequent impact on the business environment. Nigeria's population is growing at 2.6% annually and is currently projected at 198 million, according to official sources.

Family businesses that are able to withstand external shocks in the economy are those that have built mechanisms and designed internal strategies to weather the storms that occur in the global and local economic spheres.

Economic environment, corruption and regulation cited by FBs as leading challenges...

With respect to challenges mitigating the personal and business goals, family businesses in Nigeria are more likely than the global average to cite the economic environment and corruption as key challenges over the next two years. Corruption is associated with lower investment, higher prices, as well as barriers to entry for businesses.

PwC estimates that corruption in Nigeria could cost up to 37% of GDP by 2030 if the trend continues. This cost is equated to around \$1,000 per person in 2014 and nearly \$2,000 per person by 2030. Regulation is another issue cited by more than half of FBs. In addition to the economy, corruption and regulation, other challenges identified by family businesses include: accessing the right skills & capabilities, domestic competition and access to financing, among others.

Likely true of business in 2 years (Top 2)



“Increasing compliance and regulatory requirements have created a compelling case for developing and maintaining a tax strategy that is aligned to your business’ objectives.”



Esiri Agbeyi

Partner & Head, Private
Wealth Services

Structuring Family Businesses for Tax Efficiency

Nigeria moved up 24 places in the World Bank’s Ease of Doing Business (EoDB) 2018 index to the 145th position from 169th. Despite this record improvement, the business environment remains challenging in the absence of structural reforms. The country dropped one spot on the 2019 EoDB index.

Tax & regulatory challenges continue to impact the growth of businesses in Nigeria. One of such regulatory challenges cited by family businesses (FBs) in the Nigerian Family Business Survey was tax and regulatory compliance obligations. Some issues cited include multiplicity of taxes, incoherent fiscal policies, cumbersome and inefficient tax

administration system, high level of tax evasion, ambiguities in the tax laws and lack of transparency on the utilisation of tax revenues for social services and infrastructural development. These challenges have contributed significantly to the low tax compliance level recorded for businesses and individuals in the country. In addition, FBs are usually exposed to potential tax leakages such as probate tax, inheritance tax, capital gains tax and stamp duties at exit or at the point when inheritances are transferred to the next generation. Hence, FBs need to implement structuring considerations that also take account of compliance with the relevant tax laws.

Key Tax Structuring Considerations

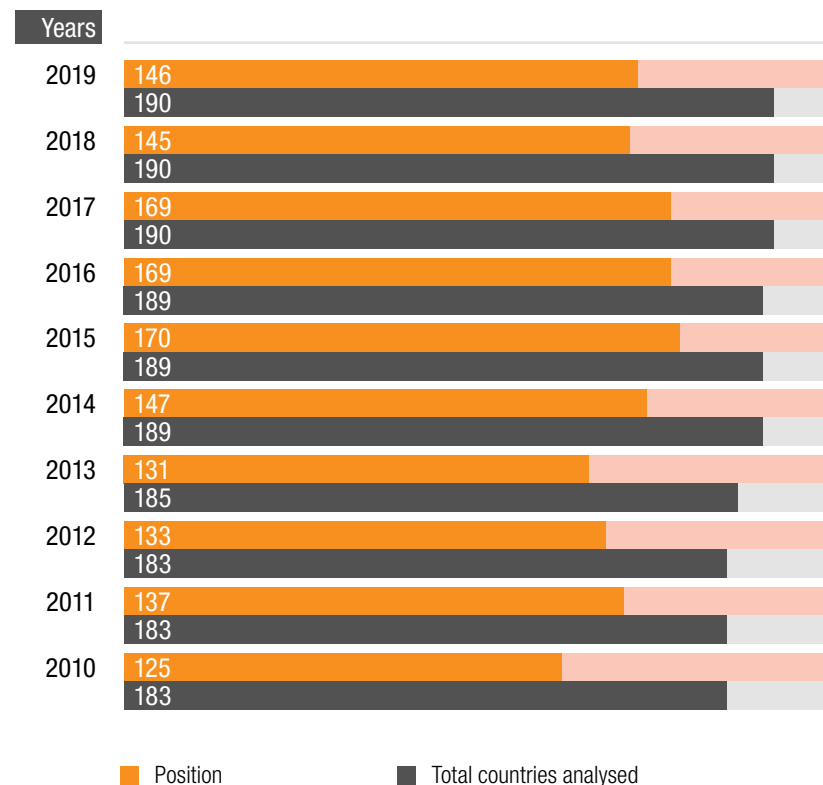
While the tax laws in Nigeria may be outdated in certain respect and complex to navigate, there is still ample room for managing tax leakages. Some of these strategies could be:

1. **Setting up the Right Structure** - Structures (holding, operating & financing) typically differ according to business locations and regulations. However, developing a strategy is key to ensuring risks are managed and tax outcomes optimised. Such plans must also consider the intended exit strategy as this aids optimal repatriation of profit & divestment proceeds. Considering the complexity involved, it is recommended that professional advice be obtained. Define roles and responsibilities in the tax function, establish a communication and knowledge framework at all levels and up to the Board
2. **Compliance of Operating Companies/Special Purpose Vehicles** - Compliance is a significant part of a business' life cycle as it covers the period after incorporation till exit of the business. The emphasis on compliance in Nigeria is strongly underpinned by the tax authorities' aggressive revenue drive and recent updates to some of the tax regulations. For example, in the transfer pricing space, we recently saw an update to the regulations which introduced significant penalties for non-compliance. Hence embedded in the business strategy of the company should be a tax strategy that addresses the risks of non-compliance.
3. **Establishing Clear Internal Processes** - Increasing compliance and regulatory requirements have further created a more compelling case for developing and maintaining a tax strategy that is aligned to the business' objectives. Establishing internal processes should help reduce the risk of penalties for non-compliance, which could potentially erode shareholders' value and pose reputational risk to the company. Some processes may need to be automated in a digital age.
4. **Business Financing** - Another major consideration businesses factor when setting up an entity is financing. Having the right mix of equity and debt is necessary to ensuring businesses take advantage of available tax benefits & incentives. Loan financing could enjoy tax deductibility on interest payments, to the extent allowable by the regulations. There may also be potential withholding tax savings on foreign loans subject to meeting certain conditions prescribed by law. Exchange controls in investee countries should also not be ignored to avoid cash traps. Businesses are advised to consult their financial and tax advisors when making such financing decisions.
5. **Succession Planning and Exit Strategy** - Findings from one of our family business surveys showed that a major challenge for family businesses lies in the medium term - the need to have a plan that links where the business is, to where it wants to be. In addressing this challenge, creating a strategic succession plan is key to ensuring that businesses continue to thrive in perpetuity.

Setting up a family office (FO) can help to mitigate the risk of failure of family businesses by providing a dedicated management framework for addressing risks associated with significant wealth and investments. Other legacy vehicles such as foundations and trusts should be considered by FBs for legacy and wealth preservation through generations. Founders of FBs must begin to plan ahead with robust strategies for exit which may range from bringing the next generation on board, trade buy outs, private equity injection or public listing. The roadmap for each exit plan is not planned in a day.

Nigeria – Ease of Doing Business

Nigeria has been featured in the Report since its inception in 2004.



- In 2018, Nigeria jumped 24 steps up the ranking. This was due to certain regulatory reforms (cosmetic or real?).
- In 2019, we have lost one place to Mali.

Nigeria – Ease of Paying Taxes

In 2018, Nigeria moved 11 places from 182 to 171. The improvement was due largely to factors like:

01

simplified tax compliance processes such as requiring taxpayers to pay tax at the nearest tax office.

02

the centralised electronic payment system introduced in 2015 which has now gained wider acceptance.



03

Securing legacy in a digital age



“For family businesses (FBs) to thrive in this fast-evolving environment, there has to be a paradigm shift to technology-led business processes.”



Femi Osinubi
Partner/Data & Analytics
Lead, PwC West Africa

Importance of adopting digital capacities by family businesses in Nigeria.

The world is fast becoming a global village due to innovations underpinned principally on technological advancements.

Technology has brought about changes in consumer perceptions, tastes and preferences. Consequently, for family businesses (FBs) to thrive in this fast-evolving environment, there has to be a paradigm shift from the traditional way of conducting businesses to the adoption of technology-led business processes. FBs should consciously infuse digital capacities into their operations and corporate cultures.

The importance of adopting digital capabilities by family businesses in Nigeria are as follows:

- FBs are better able to respond dynamically to changing consumer

preferences, thereby enhancing their customer satisfaction capabilities, ability to explore new market segments and increased appeal to a wider target audience.

- Cost optimization and efficiencies is another advantage that FBs in Nigeria will enjoy when they adopt and scale-up their digital capacities. Implementing digital transformation strategies invariably leads to cost optimization, which in turn impacts the bottom-line and enhances value creation.
- Digital competence of FBs will have a positive impact on the productivity of employees.

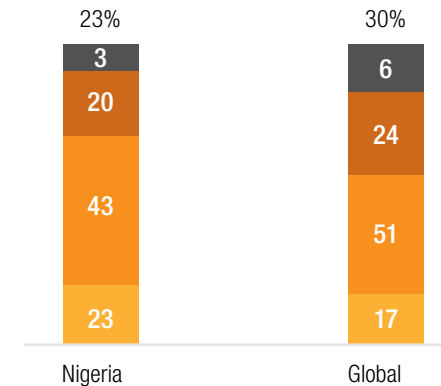
FBs in Nigeria should leverage digital innovations for business transformation.

“Nigerian family businesses have a slightly lower level of perceived vulnerability to digital disruption or a Cyber-attack compared with the global average.”

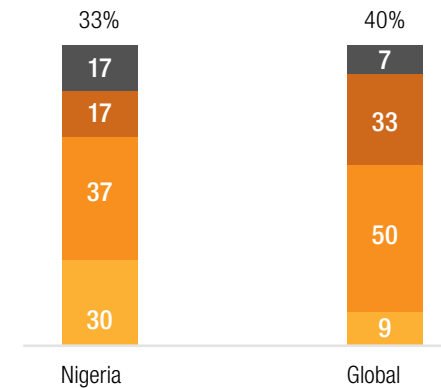
The pace and transformative power of technology means that Nigerian family businesses cannot afford to ignore the digitization trend. The disruption of the cab hire business in major Nigerian cities by ride-sharing tech firms is a prime example of how digital technology is revolutionising whole industries. Despite the impact such digital innovations can cause, 70 percent of Nigerian family businesses do not consider digitisation a key challenge over the next two years. In addition, Nigerian family businesses have a slightly lower level of perceived vulnerability to digital disruption (23 percent) or a cyberattack (33 percent) compared with the global average.

According to the 2019 Official Annual Cybercrime Report, cyberattacks are the fastest growing crime and predicted to cost the world US\$6 trillion annually by 2021. Nigeria is increasingly becoming a target of cyber attacks with 60 percent of Nigerian firms being affected in 2017 alone.

Business vulnerability to digital disruption



Business vulnerability to a cyber-attack



Vulnerable

- Very vulnerable
- Fairly vulnerable
- Not very vulnerable
- Not at all vulnerable

When respondents globally were asked about the threat from digital disruption, only a minority were able to talk about specific technologies. The threat tended to be seen as challenging their existing business model

Answers tended to fall into three camps – global findings

General threat from competitors – current or yet to emerge

Competition could come from a wide range of sources

- Large multinationals— challenging the way they sell their products and the supply chain (e.g. Amazon, Google,)
- New entrants (large or small) with the skills and funding to disrupt the market and be digital from the outset (e.g. fintech, the next 'Uber', Google in construction)
- Seen as hard to keep up and/or stay ahead
- Owning the data also seen as key

Consumer behaviour is changing

- Increasing move to e-commerce
- Fear an increasingly price led market place will devalue the traditional strengths of FBs

Threat (or opportunity) from specific technologies

- Most mentions of Artificial Intelligence
- Small numbers of mentions of Blockchain, Big Data, machine learning, 3D Printing, driverless cars
- Tends to be raised as a competitive threat although some talk of the impact on jobs
- More likely to talk about as a threat than an opportunity – although some see as a means of getting ahead
- Again, challenges in keeping up; having the right skills set, leadership skills and investment

Uncertainty/lack of understanding of the threat

A sizeable proportion interpret digital disruption to be security threat

- Mentions of significant fears over cyber security, vulnerability to cyber crime, reputational threats from social media, banking fraud and/or systems outages

Others have a more general fear of being left behind but lack the ability to get ahead

- The business or the family remain traditional in their outlook

Q10b. In what ways do you think you are vulnerable to digital disruption? Which technologies in particular? Open ended question

Base: all Global respondents who feel vulnerable to digital disruption (2018: n=895)

“Despite the low level of perceived vulnerability, 73% think they will have stepped up digital capability in the next two years, higher than the global average.”

Despite the low level of perceived vulnerability, 73% of Nigerian family businesses feel they would have made significant steps in terms of digital capabilities in the next two years (higher than the 57% who say this globally).

Regionally, businesses in the Middle East and Africa were the most optimistic, with 28% expecting aggressive growth. They are followed by those in Asia Pacific (24%), Eastern Europe (17%), North America (16%), Central/South America (12%) and Western Europe (11%).

Likely true of business in 2 years (Top 2)

		Global
Will have made significant steps in terms of digital capabilities	73	57%
Will have brought in experienced professionals from outside the family to help run it	60	53%
Will have significantly changed its business model	53	20%
Will earn the majority of its revenue from new products or services	47	18%
Will be selling its goods or services in new countries	37	38%
Will have been involved in buying or merging with other companies outside of its domestic market	23	18%
Will have been involved in buying or merging with other domestic companies	17	24%



04

Diversity through female representation



“Low representation of female business leaders, diminishes the ability of businesses to anticipate the needs of significant buying blocs and generating revenue from these blocs.”



Mary Iwelumo
Partner/Government &
Public Services Leader

Sustaining growth through female representation

The notion of diversity encompasses representation, of an outsider, within a group in order to create a microcosm of the larger society.

My focus, in this piece, is the female as an outsider.

While major milestones have been achieved in female representation globally, female representation in leadership positions in the workplace in Nigeria still leaves a lot to be desired.

Nigeria's population estimates today is an almost even split of male and female. Yet, in 2018, Nigeria ranked 133 of 149 in the World Economic Forum Gender Gap Report. This may be because women own ~20% of enterprises in the formal sector, ~12% of board directors are female and only ~6% of seats in Nigeria's 8th National Assembly were held by women.

As a business advisor and owner, I find that

conscious and unconscious gender biases pervade organizational decisions. While I concede that it is better to have no female representation than to have an unqualified female in any workplace, today's business environment demands team diversity to retain competitive advantage and sustain growth ambitions.

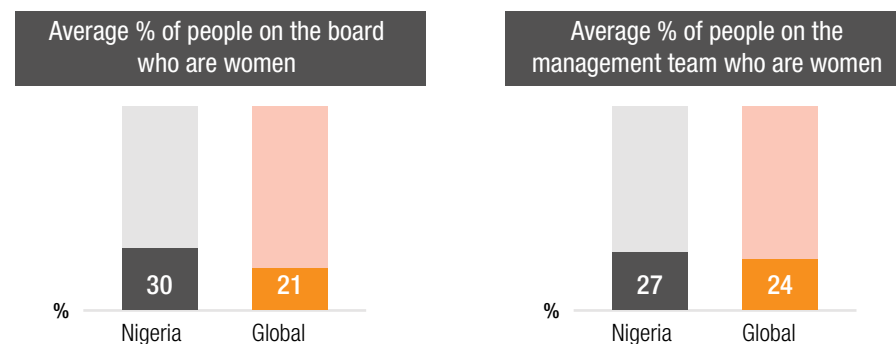
Low representation of female business leaders, diminishes the ability of businesses to anticipate the needs of significant buying blocs and generating revenue from these blocs.

Therefore, any discerning leader should, among other responsibilities, foster a workplace where gender based diversity is an unconscious norm - women and men are exposed to the same opportunities; women are trusted to make choices from the same bucket of opportunities offered to men; the ratio of women to men in leadership positions reflect the ratio of women to men in the larger society.

“Only 20% of business owners are women and average 30% of board members in Nigerian FBs.”

The 2018 survey findings show that diversity through female representation is lagging globally. In terms of gender, 80% of the business owners are male. Women average 30% of board members in Nigerian family businesses (global average of 21%) and 27% of people on the management team (24% globally). 70% of Nigerian family businesses allow spouses/partners to work in the business; fewer than half can own shares but two-thirds can take up governance roles.

Presence of women in the business



Women make up about 49% of the Nigerian population and nearly one out of four women in sub-Saharan Africa is a Nigerian. Women own only 20% of enterprises in the formal sector and only 11.7% of the Board of Directors in the country are women.

In business, there is an apparent deficit of women in the formal sector (they make up only 20%) as the majority are

located in the informal sector. 41% of women in Nigerian are entrepreneurs, making Nigeria the country with the highest number of female entrepreneurs. According to economic experts, about 30% of registered entrepreneurial businesses in Nigeria are owned by women.

Gender parity in the corporate sector is a global challenge and Nigeria is not

an exception to this. Even though the number of women in the corporate sector have increased over time, they still face the proverbial glass ceiling as there is a paucity of women in senior executive positions and on company boards.

Some countries have been able to increase women's representation on boards through constitutional reforms and the adoption of new policies.

05

Getting value from your values



“Only 43% of Nigerian FBs have their values or company mission in written format.”

Globally, 79% say they have a clear sense of company and/or family values. 67% of Nigerian family businesses have a clear sense of agreed values and purpose as a company, but only 43% have these values or company mission in a written format (the global average is 49%). When asked to describe what these values are, however, the answers tended to be rather thin and somewhat generic.

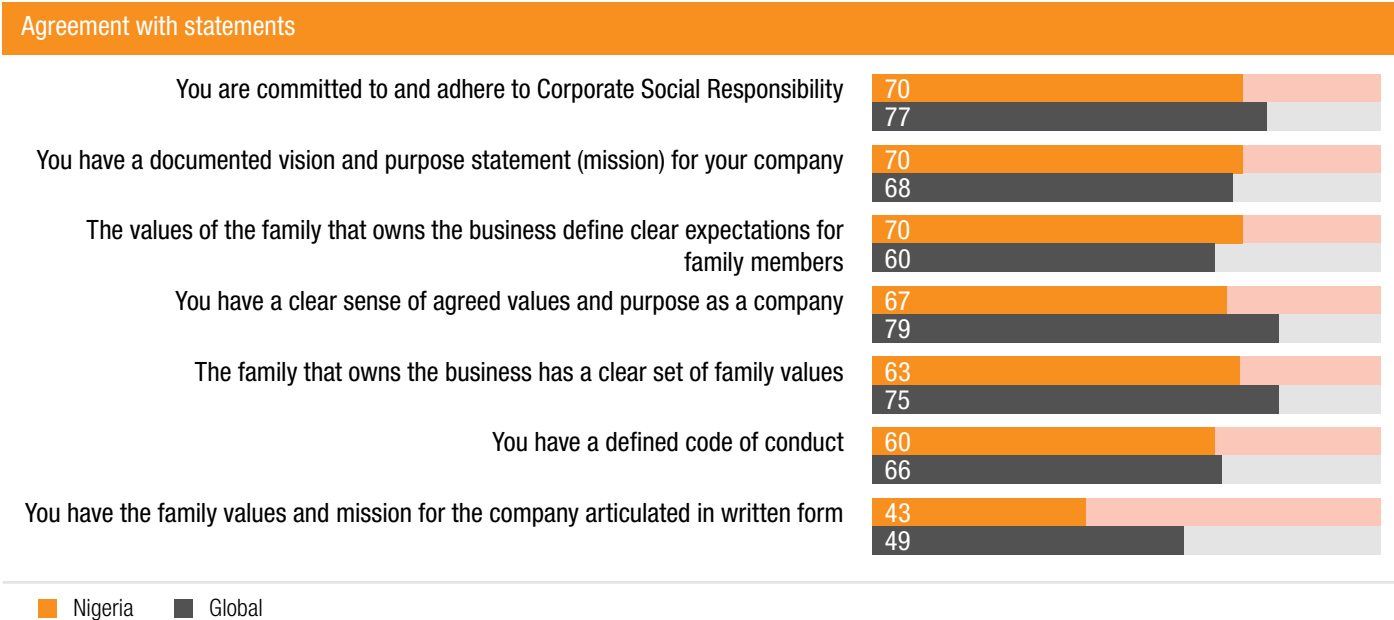
70 percent express a commitment to

Corporate Social Responsibility (CSR). In Nigeria, majority are engaged in some form of philanthropic activity; for most this goes beyond giving money to good causes and the local community.

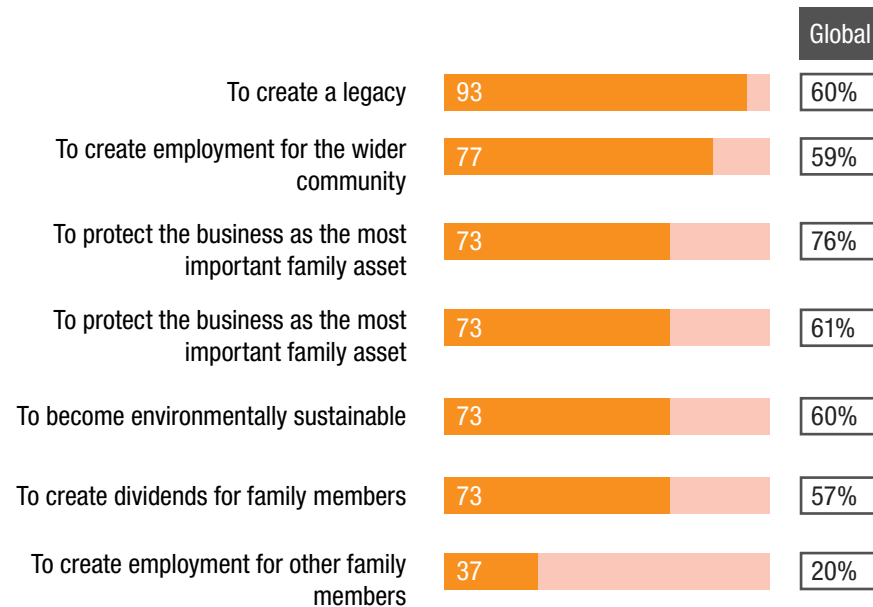
Over the longer term, 93% seek to create a legacy. More than three-quarters aim to create employment for the wider community. Globally, continuity is key to the legacy hopes of the business, family involvement and community support.

Many family businesses define success not just in terms of financial wealth, but in less tangible elements of personal growth/development, community/employee support and the upholding of core values.

The first step in this regard is for the founder and family members to explore, agree and write down the values critical to themselves and their business.



Long term goals (Top 2)



Engaged in any philanthropic activities?



Over the longer term, 93% of family businesses seek to create a legacy...Below are some of the lasting legacy aspirations of Nigerian FBs...

"Create a lasting conglomerate that can create employment and wealth (for both owners and employees) for generations to come"

"Biggest global employer in the industry delivering unquestionable quality in service to our customers and clients around the world."

"To have built an enduring and sustainable business that provides a good foundation for the next generation. The business will be committed to operating with integrity."

"That I have been able to build a sustainable organization responsive to the expectations of the family and society at large. Building a business that is sustainable and growing to become a major player in whichever sector they operate."



**Pursuing
purpose**

The values effect

Family and corporate values enhance reputation and sustainability. Values are the fulcrum of organisational culture, and they determine how organisations behave – it creates the foundation for building lasting competitive advantage. Whether it is stated or not, every organisation has a set of beliefs and principles that determine its behaviour and those of its employees. How organisations behave is intricately linked to its productivity and overall corporate performance. Of the Nigerian family businesses surveyed, only 43% have their companies' values or mission statement in a written format. When values are stated, they bring clarity, and are much easier for employees to translate into their daily work. For the purpose of clarity and measurability, having values in a written format trumps stating them orally.

Our survey suggests a correlation between a company's growth and the codification of its values in writing. One key finding consistent globally, from our research, is that the majority of businesses with double-digit growth

had their values and mission statement in a written format. As with their peers across the globe, a majority of Nigerian businesses (20%) who witnessed double-digit growth also had their values in a written format. In addition to double-digit growth, companies who have written down their family values and mission are also more likely than average to have a formal succession plan in place; have a fully costed, formalised and communicated mid-term strategic plan in place; see cyber-security and digital changes as challenges; have grown in the last two years; and are more likely to expect growth in the next two years.

When asked to describe their companies' values, the following principles were more frequently cited: Integrity, Respect, Diligence, and building good relationships. Upholding these values, however, isn't the foremost expectation the businesses had of family members. Sustainability of the business was the primary expectation for family members, especially for First Generation businesses. In their own words, respondents noted that they

expected family members:

1. "To put into practice, our skills and competencies gained from our education and other work experiences so far to the business to position it for greater success";
2. "To be clear pace setters in the industry, assuring financial returns and building a sustainable business";
3. "Always respect the family name and brand as this will either bring you great wealth or bring you down".



We offer five key recommendations for Nigerian family businesses to thrive in the 21st century:

1. Purpose defines your 'license to operate' beyond making money. Be clear on which problems your business is committed to solve, and what kind of value you want to generate for your customers, employees, stakeholders, and society.
2. Define the link between your products and services and the company's purpose. For example, running a company in India producing machinery for farmers means not just being great in engineering terms. It is also about a broader purpose that has to do with feeding populations and helping farmers achieve this efficiently.
3. Focus on real and sustainable value-creation according to your defined purpose along the entire value-chain. Consider the impact on your business model and leave room for necessary adjustments. Staying with farming example, do you really need to be producing highly engineered machinery for farmers in a developing country, or is your purpose better-served by producing less technically complex machinery that suits local conditions?
4. Apply and monitor Corporate Social Responsibility (CSR) principles and define key non-financial performance indicators that support you better in long-term decision making to achieve your goals and support your family business brand.
5. Communicate your defined purpose internally and externally, as well as what you are doing to achieve it. This will help you align and unify various stakeholders, strengthen your employer branding and bring your competitive family business advantage to life.

06

Ensuring legacy and business continuity



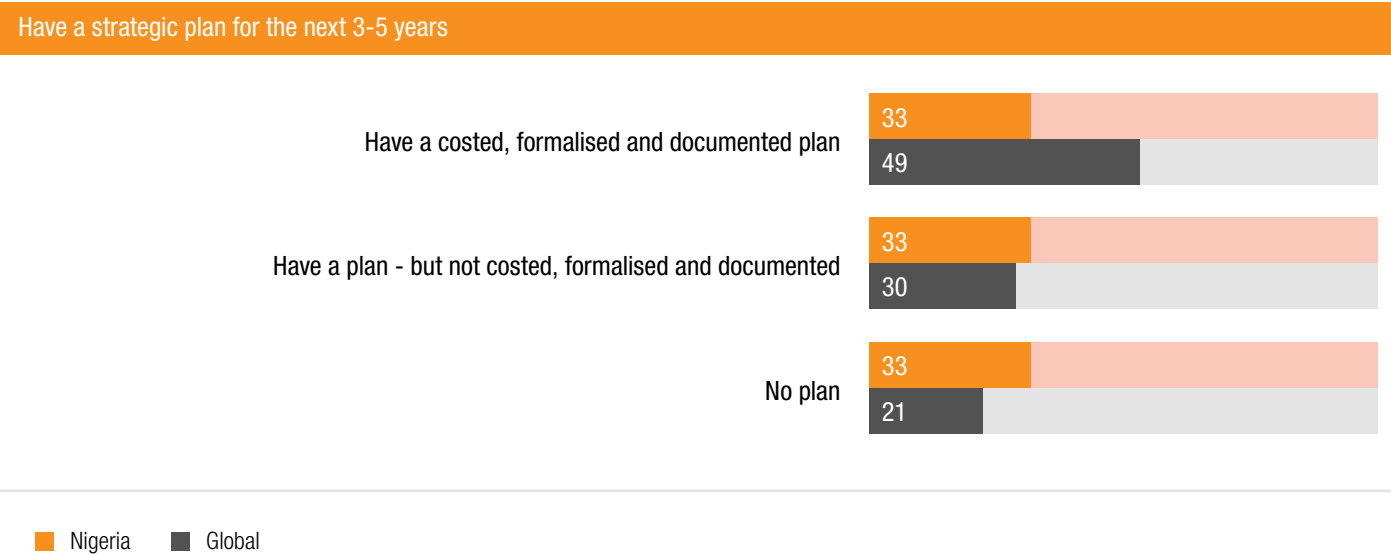
“Only 13% of businesses have well-documented plans and policies in place to ensure business continuity.”

This year, 33 percent of Nigerian family businesses say they have a costing, formalised and documented mid-term plan. Equal proportions (33 percent) have informal plans or no plans at all.

77 percent of Nigerian family businesses have some form of policy/procedure in place within the business.

There still exists, however, low levels of policies and procedures in place, that have significant impact on business continuity (such as Testament/Last Will), with only 13% of businesses having such policies in place within the business, is cause for concern. Furthermore, only 10 percent of Nigerian family businesses have a robust, formalised and communicated succession plan in place.

Developing a long-term plan will assist in the continuity of the family business as 77% of Nigerian family businesses plan to pass on management and/or leadership onto the next generation.

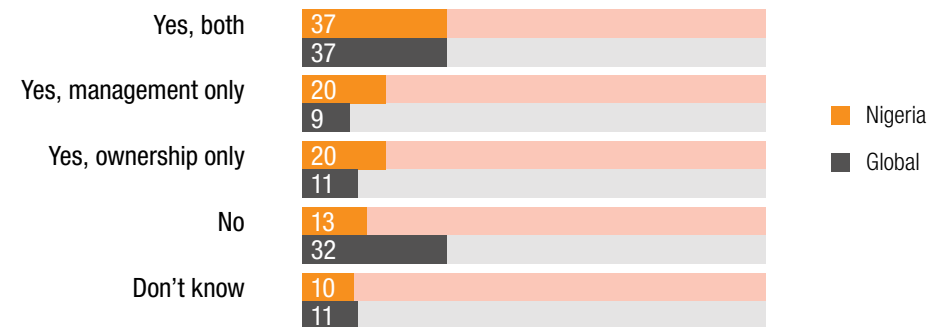


“77% of Nigerian family businesses have next generation family members working in the business and three-quarters plan to pass on management and/or leadership onto the next generation.”

Involvement of next generation in business



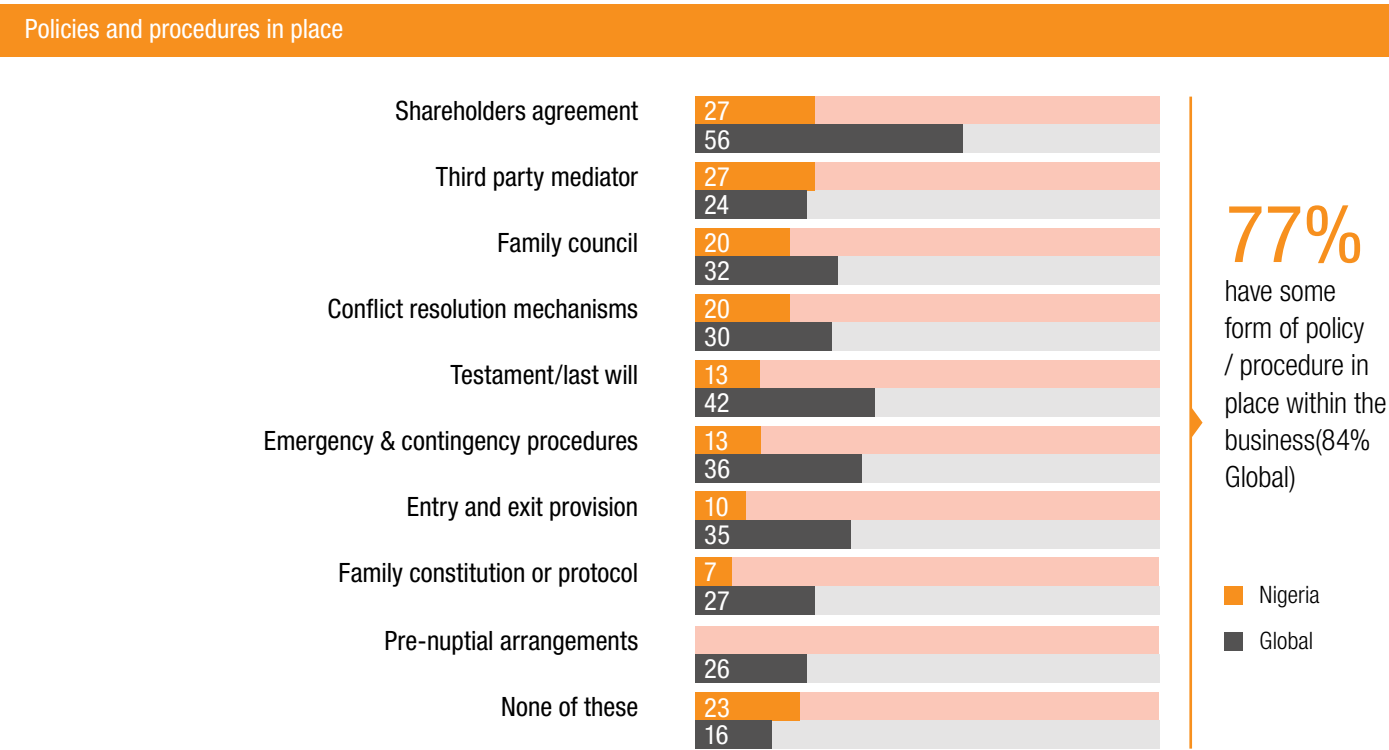
Passing on management / ownership to the next generation?



“While there is a strong intent to pass businesses to the next generation, appropriate structures for ensuring this happens are mostly lacking among FBs in Nigeria.”

While there is a strong intent to pass businesses to the next generation, appropriate structures for ensuring this happens are mostly lacking among FBs in Nigeria. Some of these include defining how ownership and leadership is transferred. There are several options ranging from intra family succession to a combination involving parties external to the family (management buyouts, private equity investments etc.).

Each comes with its pros and cons and planning properly ahead ensures the family business stays ahead of the game. One must also quickly realise that not all children know there is a family business or even want a part of it. However, with proper integration through next generation education and mentorship, success can be achieved.



“Only 7 percent of family businesses use a third-party dispute resolution service”

90 percent of Nigerian FBs allow family members to work in the business. 70% allow spouses/partners to work in the business.

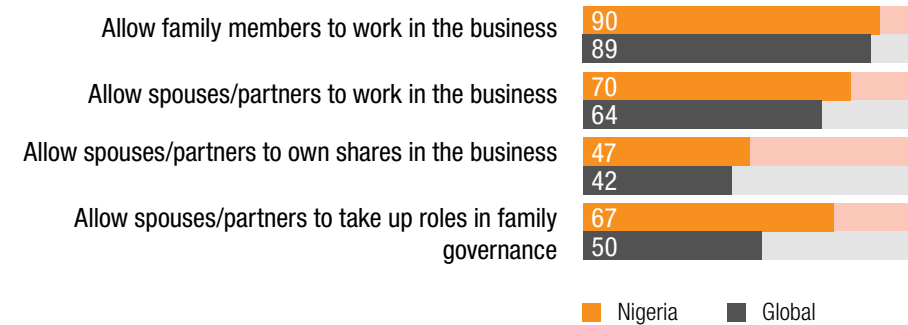
With significant family involvement in the businesses, 63% claim that family conflict is handled within the immediate family.

Only 7% use a third-party resolution service.

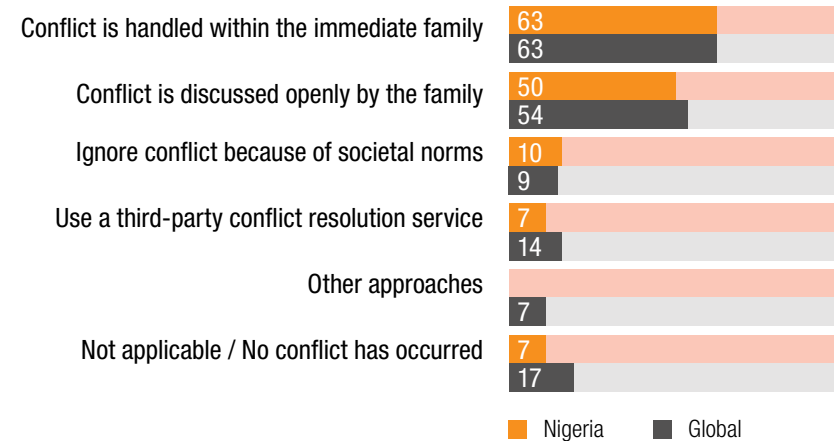
The importance of third-party resolution service cannot be over-emphasized.

Some families may be ready to withstand the storms of economic crisis but might be more likely to collapse at the first dispute among family members.

Family and spousal involvement in business



Approaches use to handle family conflict



07

Private equity: thinking outside the family

“Our 160 years’ experience in advising family businesses and Private Equity (PE) firms across regions, makes us well equipped to help in positioning FBs to attract investments from PE firms.”



Andrei Ugarov
Partner & West Africa
Corporate Finance Leader

The two-way chain - an FB can invite a PE as a partner, or a PE invites an FB as a partner

Over the last decade, there has been a shift in the way family-owned businesses are financed from traditional means to attracting PE investments. A recent PwC global survey on family businesses, showed that 39% of family businesses are considering PE investments, within the next 1-2 years. FB is fast appreciating the benefit from PE firms’ expertise in the areas of governance, financial management, strategic planning, and shoring up companies for sustained success.

This change in ideology, is due to an increased focus on long-term value generation, succession and professionalism at FB, as well as the positive brand perception that an announcement of a PE investment (and re-investment) gives a business.

Our 160 years’ experience in advising family businesses and PE firms across regions, makes us well equipped to help in positioning FB to attract investments from PE firms. The most important factors considered when PE’s are looking into family businesses include:

- Identification of Core Capabilities, and developing them, to create a differentiated position in the market.
- Strong Corporate Governance that ensures absolute transparency in business operations and separates ownership from management of the business.
- Historical and current Financial Records that conform with International Financial Reporting Standards (IFRS)
- Compliance with all applicable local and national Tax Regulations

PE firms appreciate the strategic value of good corporate governance and are well positioned to work with FB in strategy implementation such as independent review of existing strategies.

This will ensure the FB is better equipped to identify risks and make smart, goal-oriented decisions within their marketplace.

“Profitability is crucial to the short-term aspirations of 93% of FBs.”

In terms of short-term aspirations, profitability is crucial (93% cite this) to Nigerian family businesses, along with the maintenance of the best talent (via recruitment and retention) and contributing to the community. Globally, family business leaders reported robust health, with levels of growth at their highest level since 2007. Revenues are expected to continue growing for the vast majority of businesses (84%), with 16% saying it will be “quick” and “aggressive”.

Regionally, businesses in the Middle East and Africa were the most optimistic, with 28% expecting aggressive growth. They are followed by those in Asia Pacific (24%), Eastern Europe (17%), North America (16%), Central/South America (12%) and Western Europe (11%).

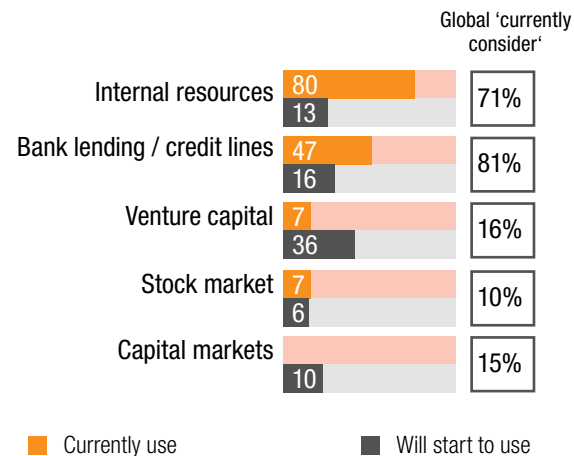


“63% of Nigerian FBs would consider bringing in private equity as a source of funding over the next 1 to 2 years.”

63% of Nigerian family businesses (FBs) would consider bringing in private equity as a source of funding over the next 1 to 2 years, higher than the global average of 39%. 40% of FBs also consider private equity as the most attractive source of funding for their business. Currently, private equity (PE) is the most interesting form of investment for foreign investors, as a result

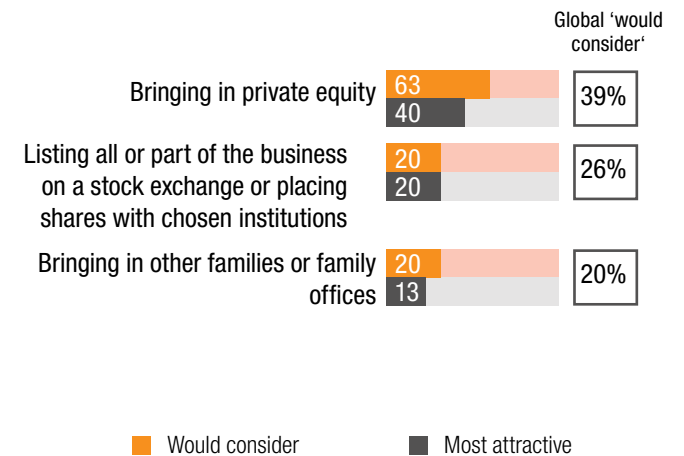
of illiquidity in the capital markets. Research from PwC in 2018 projects that traditional assets under management (AuM) in 12 markets across Africa will rise to around \$1.1 trillion by 2020, from a 2008 total of \$293 billion. This represents a compound annual growth rate (CAGR) of nearly 9.6%.

Sources used / will use to help fund the business

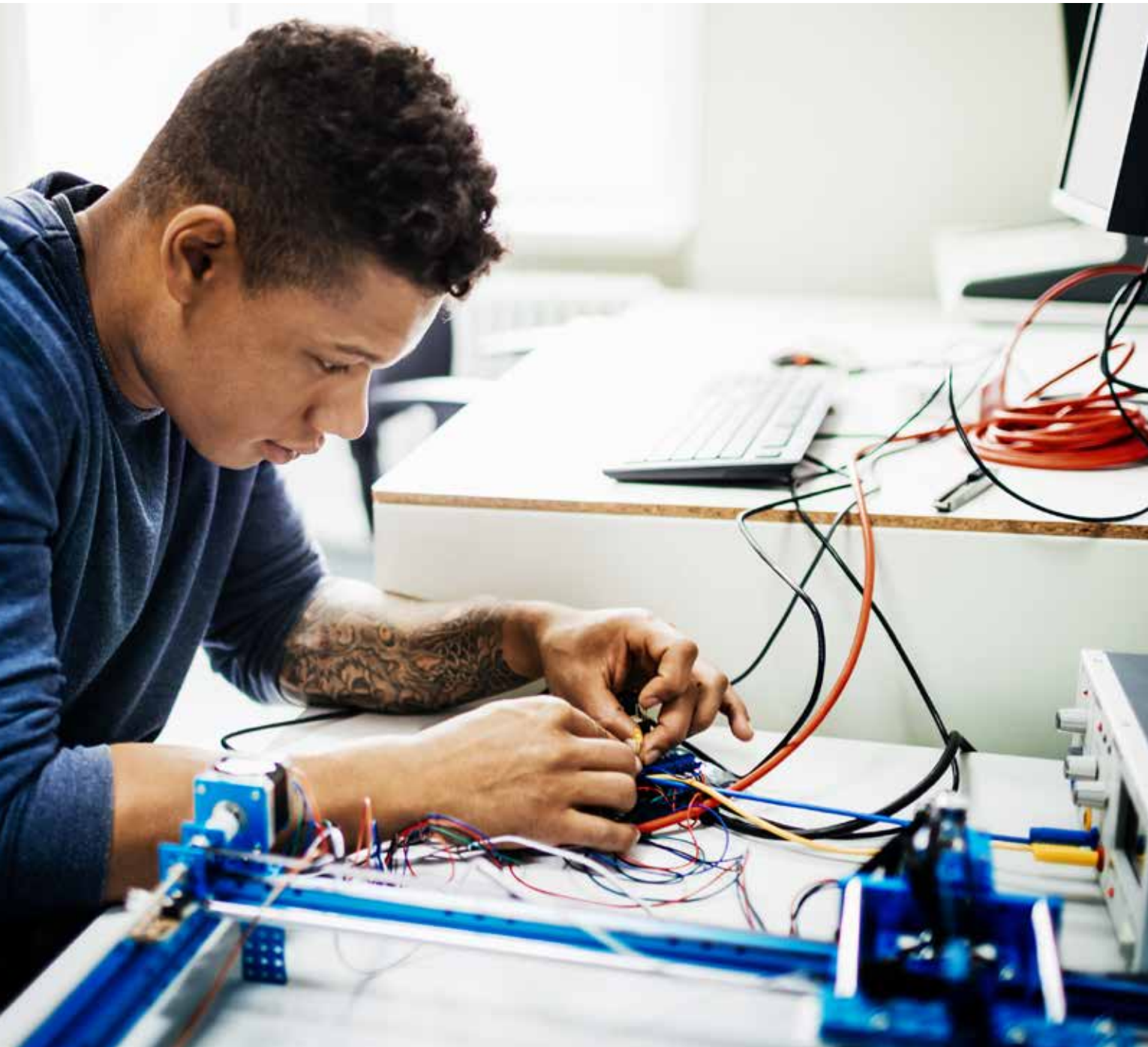


According to data from the Africa Private Equity and Venture Capital Association (AVCA), Nigeria recorded a total of 112 deals amounting to \$7.8 billion over a five-year period. These deals, which occurred between 2012 and 2017 accounted for 32% of all private equity investment deals in Africa. This amount was

Actions would consider to help fund the business



more than the combined equity investments to South Africa (US\$2.8 billion) and Kenya (US\$1.17 billion). Currently, 80% of FBs in Nigeria use internally generated funds for business activities, while 47% rely on bank lending/credit lines, which is significantly lower than the global average of 81%.



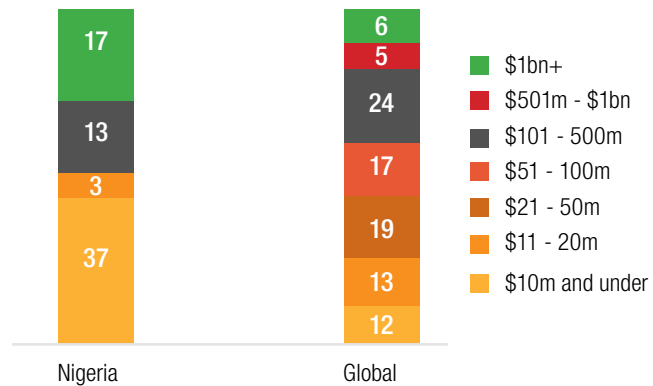
Research Methodology

PwC surveyed companies covering a wide range of sectors from agriculture to technology. Survey methods used included questionnaires, face-to-face interviews, data modeling and text analysis.

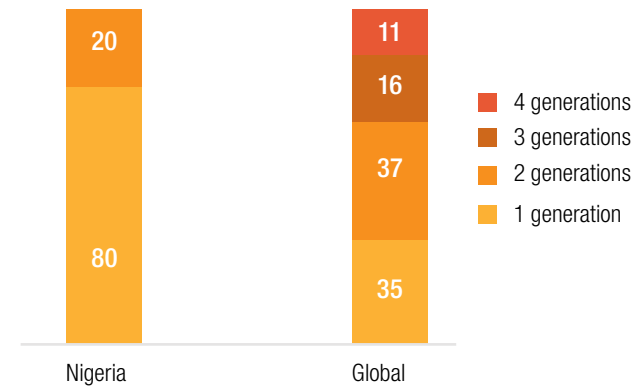
The founders, first and second generation (in some instances) over various industries participated in the survey. Their sharing and insights have helped give a full picture of the opportunities and challenges faced by family businesses, as well as their mid- and long-term strategic plans.

Nigeria company profile – what companies were included?

Turnover (sales) (US\$)



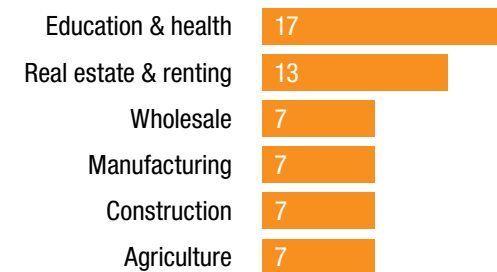
Number of Generations



Family's Role in the Business

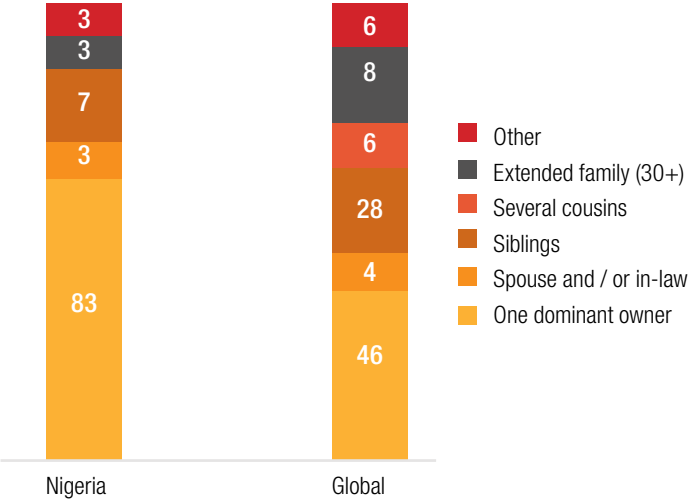


Sector



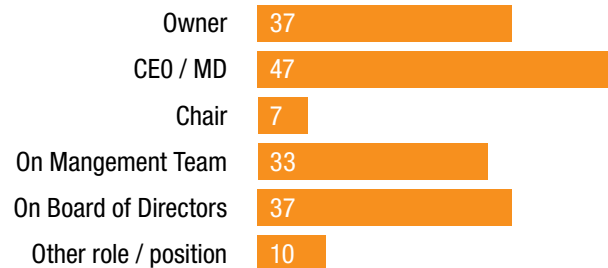
83% of Nigerian family businesses have one dominant owner (much higher than the global average)

Family ownership structure

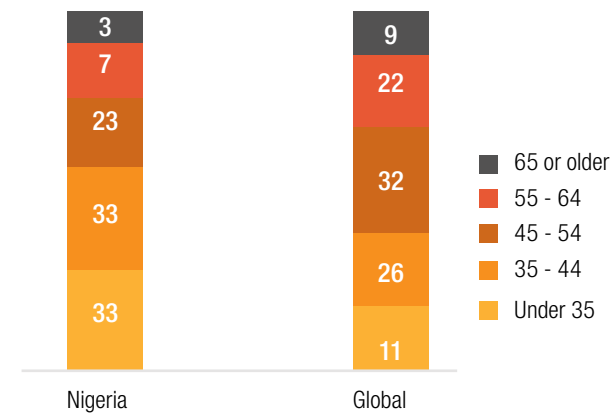


Nigeria respondent profile – who did we talk to?

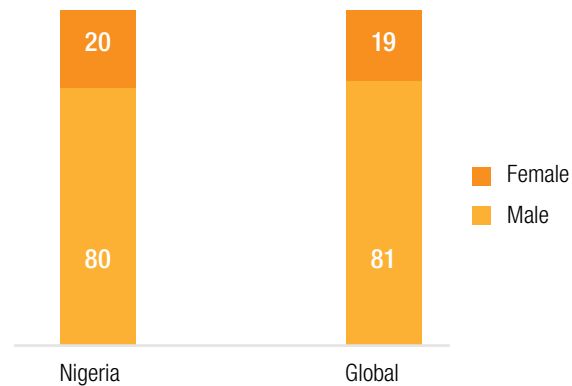
Current Job Role / Position



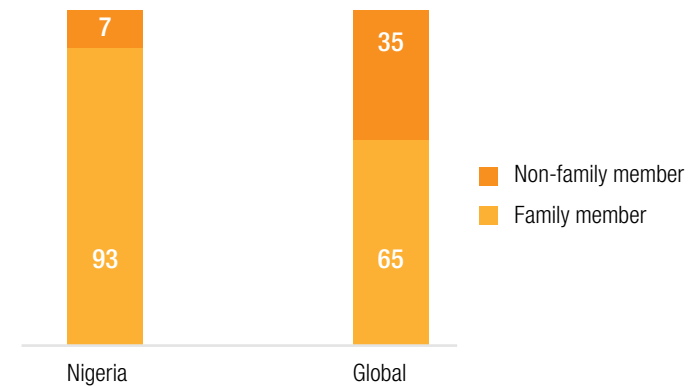
Age



Gender



Family member



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