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10th Family Business Survey

From trust to impact

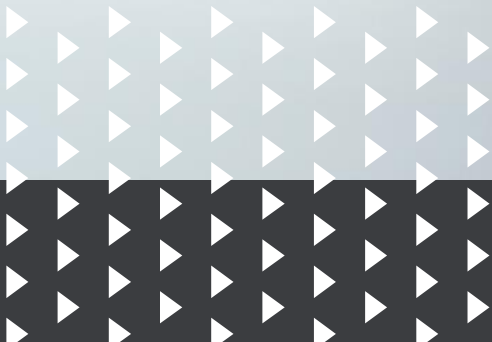
Why family businesses need to act
now to ensure their legacy tomorrow



Nigeria Report (2021)



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Foreword



Uyi Akpata

Country and Regional
Senior Partner



Taiwo Oyedele

Fiscal Policy Partner
and Africa Tax Leader

Family businesses are essential to the success of the global economy, responsible for half of the global GDP and employment: the largest 750 alone have combined revenues of \$9 trillion a year and employ more than 30 million people. Additionally, family-owned businesses account for over 30% of companies with sales over \$1 billion. They helped the world reboot after the financial crisis; they need to be strong to do it again after COVID-19 and secure their legacy. Based on their significance, it is pertinent that lasting family businesses emerge in Nigeria if Nigeria will realize its desired growth potentials of 4% - 6% annually.

The 10th Family Business Survey captures key themes building on the data we have gathered for the last 20 years. The survey covered the torrid Co-VID time. Although some family businesses thrived relatively well, the COVID-19 pandemic revealed some of the lapses and lags among family businesses in Nigeria. At the heart of the matter is the need to build trust, improve on effective governance, ply the digital transformation route and embrace innovative financing for business expansion and diversification.

The Family Business Survey is run every 2 years globally among key decision makers in family businesses within a number of PwC's key territories. The survey takes the pulse and explores the trends in family businesses. It 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 2,801 family business leaders across 87 territories including Nigeria, 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 **"Why family businesses need to act now to protect their legacy tomorrow."** The fundamental philosophy behind this year's theme is that global disruptions like COVID-19 has shown the need to focus on factors that turns current businesses into legacies for generations to come. There is a big task for family businesses, especially in Nigeria to effectively manage emerging risks by adopting business resilience measures across all service lines – sales, production, human capital, technology and research.

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

01

Introduction and key findings





Introduction and key findings



Esiri Agbeyi

Private and Family
Business Leader

Nigerian Family Businesses (FBs) have had a challenging year – but rewarding as well. They have had to face tremendous headwinds with the currency issues and stock market fluctuations in addition to the pandemic. Growth is slowly returning to the market. We have seen how they have stepped in with their generous support of the communities during the pandemic.

The families are thinking about how to protect their legacy and getting the NextGen upskilled to be able to professionalise their organisations. The NextGen are also the ones to bring in a more evidence-based approach both for the business and philanthropy as well as leverage technology and digital trends. The time to act is now if family businesses want to keep their legacy for future generations.

Our report covers the following themes, providing insights and making recommendations for Family Businesses and other stakeholders.

1) **Growth during the pandemic**

The first section looks at the organisation performance of family businesses pre-COVID and their expectations for performance post-COVID. It highlights the areas that Nigerian companies can focus on to achieve higher growth.

2) **Digitalisation behind the curve**

This section explores why family businesses need to leverage technology especially digital capabilities. Our Experience Centre leader provides insights on how businesses can pilot their digital ideas.

3) **Governance: Key to a strong legacy**

While family businesses report good levels of trust, transparency and communication, the survey highlights the benefits of a professional governance structure.

4) **Sustainability will drive transformation**

Nigerian family businesses tend to engage in traditional forms of philanthropy. There is much to be learnt from global trends of social impact investing and Environmental Social Governance (ESG) investing, which is where the world has moved on to,

As the world is changing, family businesses are challenged to adopt new strategies to thrive



Growth reduced during the pandemic but businesses are resilient

41%

expect a decline in sales growth in 2020 (46% globally), a sharp turnaround relative to 53% who experienced growth pre-COVID. On a brighter note, 66% expect to grow in 2021 and are more ambitious for 2022 (94%). Only 25% cut dividends at the expense of salaries to owners but staff of Nigerian businesses received less staff support than the global average.



Growth is dependent on new products and market expansion

63%

say one of their **key priorities** over the next two years is introducing new products/services well over the global average of 50%. Sustainability is lower down the priority order but traditional philanthropy to local communities is significantly higher than the global average.



Digital transformation lags behind the need for diversification

60%

say that their digital capabilities are not strong, but only 34% have deemed it a priority. It is a similar picture globally.



Governance structures are weak

50%

have no governance policies (21% globally). Only 25% have succession plans (30% globally) and 9% (28% globally) have a family constitution. Over three quarters say they have a clear sense of values but only 31% have this documented.

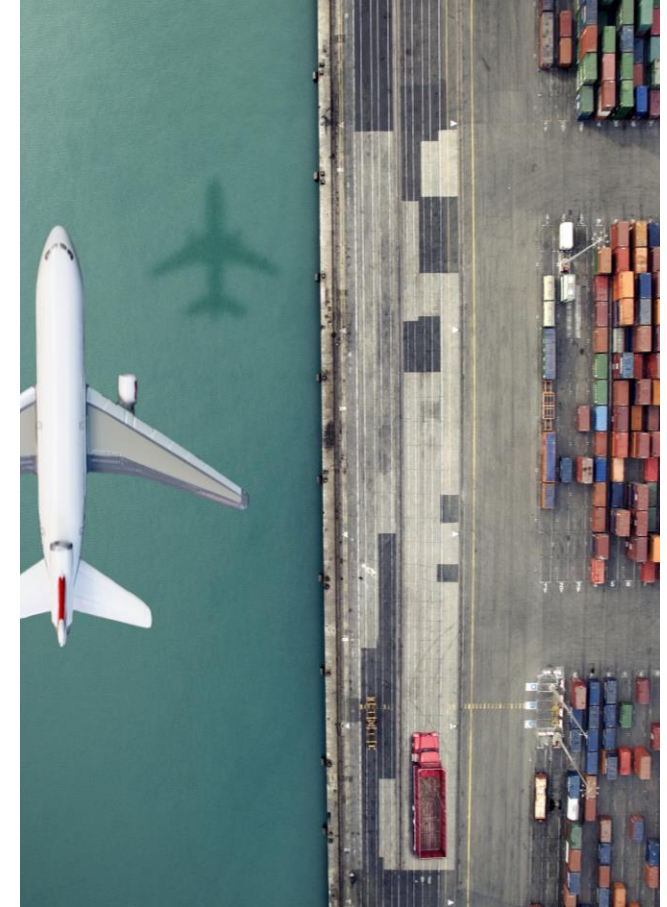


Social responsibility is high but may not be impactful or sustainable

70%

say that in order to succeed going forward they must deliver greater benefits for the planet and human society(global 53%).

91% of Nigerian family businesses engage in some form of social responsibility activities to the local community which is still traditional. Only 33% have a sustainability strategy in place (37% globally).





Implications

Family Businesses

- **Trust is the attraction amidst the pandemic.** The 2021 edition stresses the resilience of family businesses amidst a global pandemic. Globally, only 21% of family-owned businesses had to raise capital from external sources to support their activities. Our findings attribute the high level of trust and dependability as the main driver of the trend.
- **Growth and sustainability is at a low ebb.** Only 16% of family-owned businesses prioritize sustainability as a defined strategy in their business; moreover, this was biased to large businesses and new-generation family businesses. Fostered by the lack of responsibility to society, this emphasizes a gap that needs to be closed to drive the long-term survival of family businesses.
- **Expand frontiers to serve international clients.** Nigerian family businesses can serve international clients by employing local brains and manpower in Nigeria. This will however need a pivot to create new services and the required infrastructure to be globally competitive.
- **AfCFTA holds expansion opportunities for businesses.** Nigerian family businesses now consider business expansion a top priority to diversify their revenue sources and reduce the risk. They can latch onto the opportunities created by AfCFTA. To tap into the opportunities created by AfCFTA, Nigeria family businesses must remodel their business process by seeking innovative ways to serve the world with the human capital at home.
- **Digitalisation must be embraced for growth and longevity.** The ability of businesses to adapt to digital evolution will determine their longevity. Therefore, openness to digital adoption, investment in emerging technologies, and collaboration with tech giants will support the growth of family-owned businesses in Nigeria.



Implications cont'd

Private and institutional investors

- **The market for family-owned businesses is ripe for investment.** Given the resilience of family-owned businesses during the pandemic, there are opportunities for private and institutional investors like banks, hedge funds and private equity firms. Since these investors demand investment with lower risk and stable cash flows, they can buy into the opportunities of family-owned businesses project.
- **Finance is not the only need.** Institutional investors like hedge funds, private equity firms and venture capitalist are well known for their management improvement strategies in companies they invest in. Family owned businesses are in need for effective governance and management. Governance is a weakness - the figures fall dramatically when it comes to important areas : just over a quarter state, they have a family constitution or protocol, while only 15% have established conflict resolution mechanisms

Policymakers

- **Family-owned businesses need more targeted regulations.** There is a need to begin to attract much needed capital through favourable policies and regulations for both investors and family businesses. Ensuring we are dedicated as a nation to improving the ease of doing business ranking, security, macro economic and fiscal policies are critical. Public processes need to be comparable against global standards to reduce the cost of doing business and increase competitiveness. A unified goal should be to make Nigeria a regional hub for pan African and global expansion by family businesses.

02

Growth during the pandemic





Family businesses are the growth engine in Nigeria

In the global economy, family businesses dominate the economic landscape. They are estimated to contribute more than half of GDP and two-thirds of employment. This makes family business a crucial contributor to the global economy.

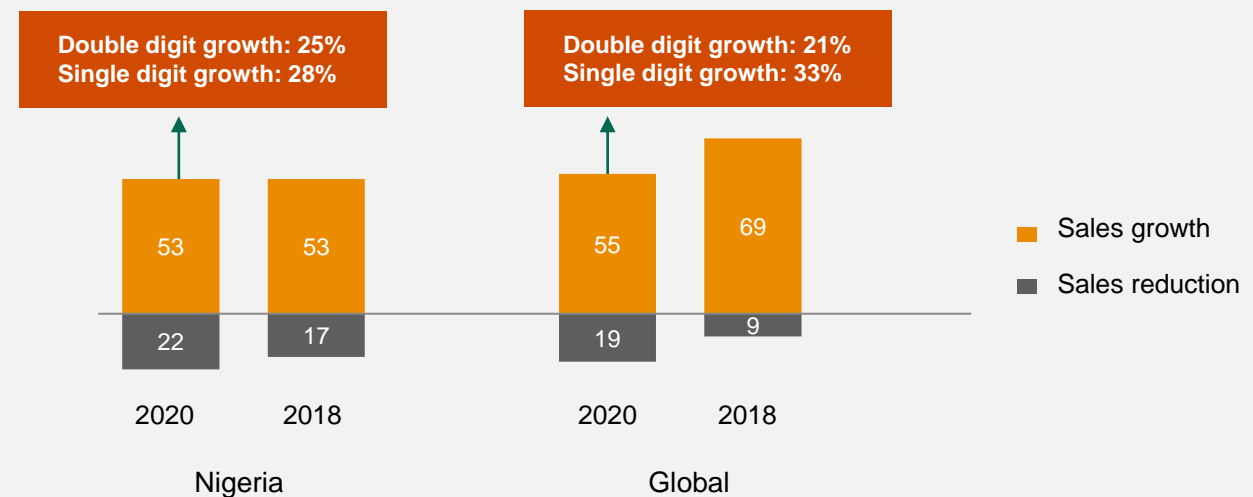
In 2009 after the global financial crisis, family businesses rebounded to build back opportunities in the distressed world economy. This is also expected to repeat itself in the post-COVID-19 recovery for two main reasons: family businesses are more trusted than other institutions and leaders, and, in most sectors, they are more resilient.

Typically, the role of family businesses in African economies includes creating and sustaining jobs as well as reducing poverty. Even during the COVID-19 pandemic, many businesses have continued to play this crucial role.

With the COVID-19 pandemic and restriction to movement, business activities were affected. Before the pandemic, 53% of respondents were predicting growth for 2020—the lowest percentage since 2010, the year following the global financial crisis (see Figure 1).

Figure 1: Growth in last financial year (pre-COVID-19)

Q. Looking back over the last financial year BEFORE THE COVID-19 PANDEMIC would you say your sales have been...?



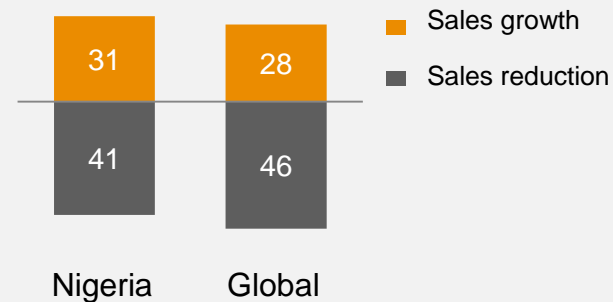
22% of businesses contracted. With the COVID-19 pandemic and restriction to movement, business activities were affected. 41% of Nigerian family businesses expect COVID-19 to lead to a reduction in sales, however, Nigerian family businesses expect to see higher growth in 2022 (see Figure 2).

Figure 2: Impact of COVID-19 on sales

Q. And what do you think the impact of the COVID-19 pandemic will be on your sales?

Q. Has the business experienced any of the following in the last 12 months?

In the last year, 66% of Nigeria FBs saw a decrease in profits (51% globally) and 13% a reduction in equity ratio (13% globally)



There is evidence of slim recovery from the second economic recession in 4 years, Nigeria's growth path has seen improved expectations for 2021. The International Monetary Fund (IMF) recently revised upward its growth forecast for the Nigerian economy in 2021 to 2.5 % and expects a moderate growth of 2.3% in 2022. Nigeria's revised growth is hinged on the improved global economic outlook, which was adjusted to 6.0% from a 5.2% projection.

Resilience

Nigerian family businesses have shown resilience amidst the pandemic through some form of financial sacrifice. Only 25% (34% globally) of surveyed businesses have had to cut dividends, and 41% (31% globally) of family members have taken salary cuts. (see figure 3). However, Nigerian businesses tended to provide less staff support than the global average. For the future more owners want to drive growth through traditional forms of capital over banking/Private Equity financing. (see figure 4).

Figure 3: Sacrifices made by family shareholders

Q. Which of the following sacrifices, if any, have family shareholders made as result of the COVID-19 pandemic?

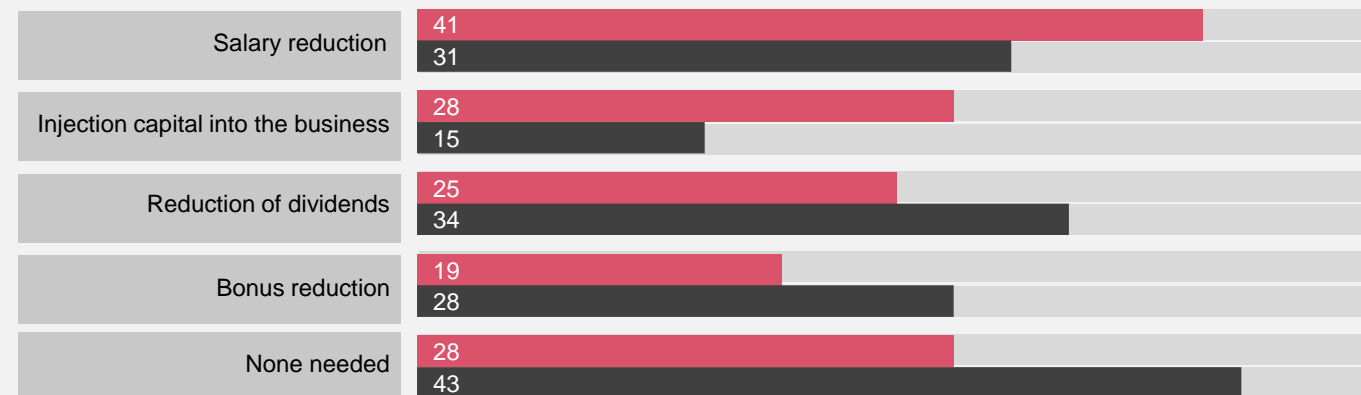
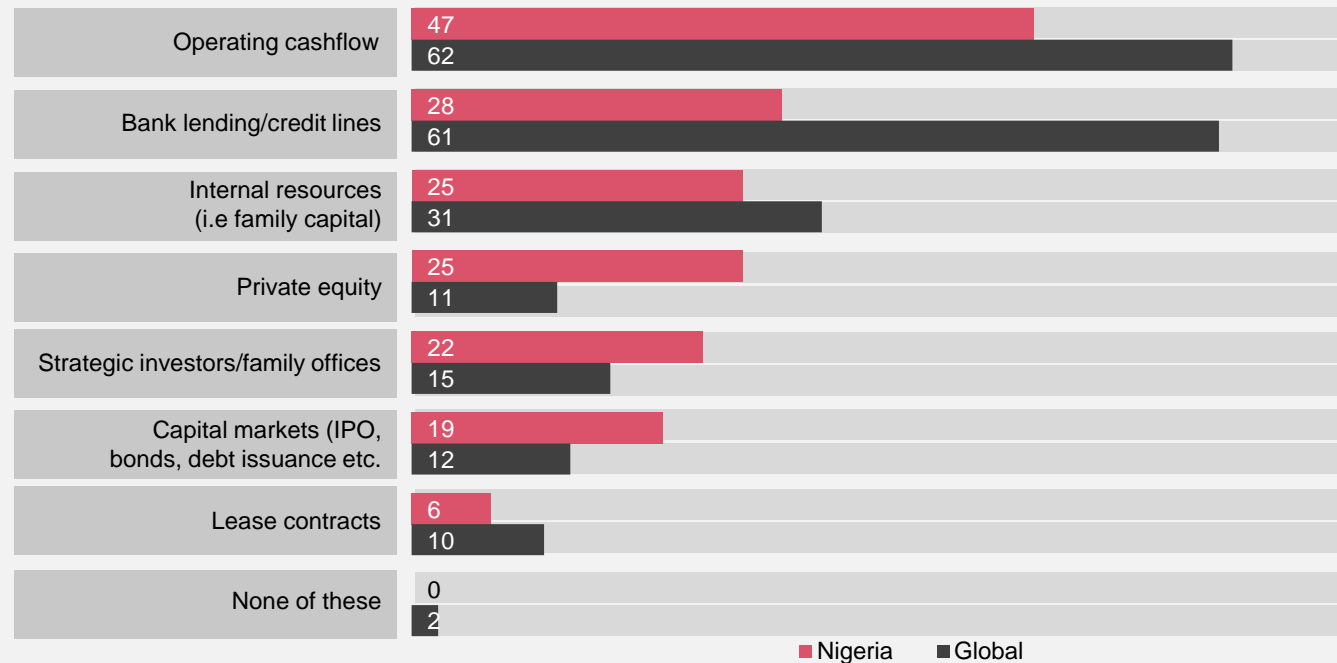


Figure 4: Sources of finance in the future

Q. Which of the following do you plan to use to help finance the business in the future?

**Challenges**

Amidst the discovery of the COVID-19 vaccine, some factors have continued to hamper Nigeria's economic growth and these include infrastructural deficit, currency devaluation, among other macroeconomic such as inflation and unemployment.

Inflation: Nigeria's headline inflation increased by 1.56% from 17.33% in February to 18.17% in March 2021 (4-year high). This continuous rise in inflation is caused by an increase across a range of consumables e.g. food prices, energy and fuel, transportation and medical services. With the escalating cost of living in Nigeria and fall in real wage of fixed income earners, the possibility of investing in business-suitable capital projects is minimized and demand is suppressed.

Policies: The CBN is saddled with the task of stabilising prices, attracting foreign exchange earnings and growing the economy. However, some of the proposed policies have been counterproductive. For instance, the recent CBN policy which bans Nigerian exporters who do not repatriate their export proceeds, through the official FX market from accessing the banking system for future FX transactions. The CBN believes that by repatriating export proceeds through the I&E window, liquidity in the official market will be improved. However, embedded in this policy is the possibility of stifling the existing trade process in Nigeria.

FX Scarcity: Nigeria attracted \$2.6bn FDI in 2020, however, the 2020 FDI to Nigeria marks a decline from \$3.3 billion in 2019. Total inflows into the I&E FX Window also declined by 2.6% in March 2021 to \$551.4 million. PwC forecasts suggest that Nigeria's remittance flows could reach US\$34.89 billion by 2023 if remittance infrastructure improves and the right policies are put in place.

Ease of Doing Business: Nigeria currently ranks 131st on the ease of doing business (EoDB) ranking, moving fifteen places up from the previous ranking of 146th. However, Nigeria is still struggling with trading across borders, registering properties and resolving insolvency. Different initiatives have been put in place to improve the EoDB in Nigeria. The recent unfavorable indicators in the economic environment such as inflation and unemployment can negatively impact business environment.

Infrastructural deficit: Poor infrastructural facilities such as low electricity generation, poor transmission infrastructure, and decrepit roads can also hamper business growth.

What are the priorities for Family Businesses in Nigeria?

The key priorities facing Nigerian family businesses are somewhat different to the global trends which reflects the market condition. When asked what their top priorities were, more Nigeria family businesses prioritised introducing new products/services, rethinking/changing/adapting their business models and expanding into new markets/client segments over digital transformation (see figure 5) or reducing their carbon footprint(see Figure 6).

Figure 5: Key priorities over the next two years (Top 5) – Nigeria compared to Global

Q. Which, if any, of the following are the company's TOP FIVE priorities for the next two years?

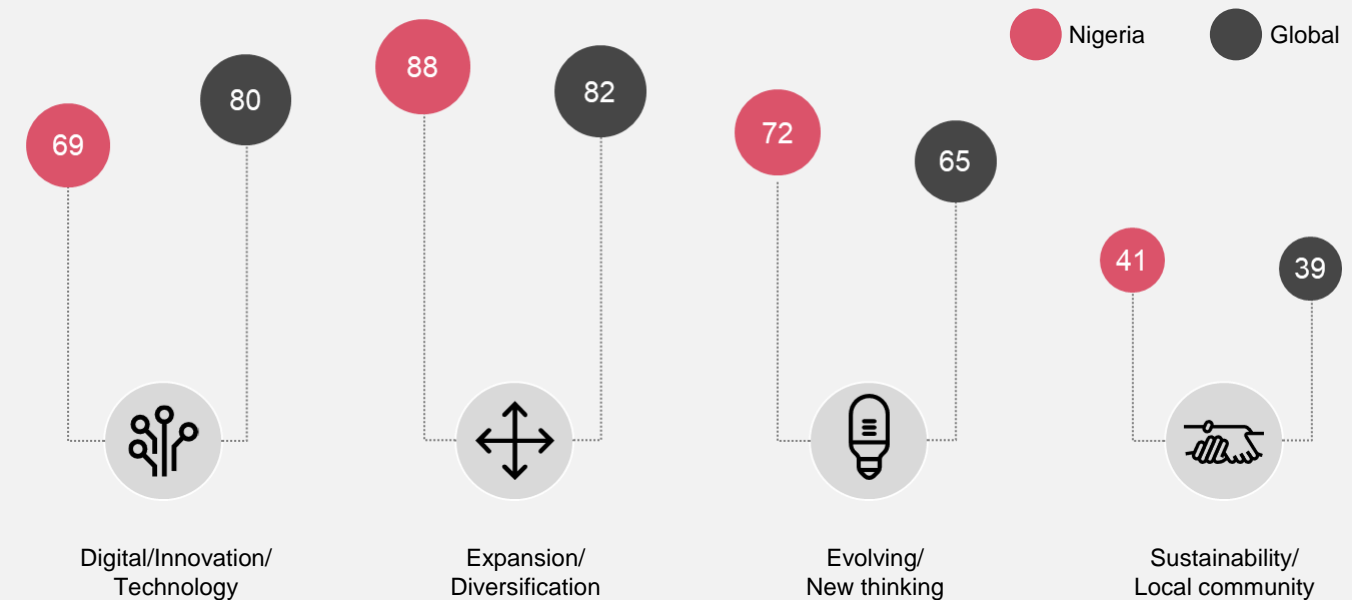


Figure 6: Key priorities over the next two years (Top 5) – Nigeria compared to Global

Q. Which of the following do you plan to use to help finance the business in the future?



This means whole scale transformations are the order of the day. However, they could benefit by thinking strategically. This could include:

- a) finding new markets for existing products especially with a better understanding of how the African Continental Free Trade Area (AfCFTA) agreement can help;
- b) radically rethinking business models - for instance how can we serve international clients using Nigerian brains sitting in Nigeria;
- c) how we can be structured to ensure we build lasting businesses that defy changing generations and provide the much-needed stability to over 60% of the Nigerian economy. These range from governance, tax efficiencies and great indices on the financials; and
- d) how can we leverage technology especially digital capabilities.



AfCFTA can promote growth

The African Continental Free Trade Agreement (AfCFTA) was established to promote regional integration and cross-border transaction. It commenced with the promising potential of augmenting trade and economic development across the African continent. There is a general optimism around the possible impacts of its implementation. AfCFTA presents benefits on the fronts of synergy, and the cost of raw materials/machineries. However, it is feared that the agreement might pose some threats to local businesses in Nigeria as they begin to compete with international products.

Recommendations for family businesses in navigating the economy and AfCFTA

- **Research:** To develop new products, research is paramount from conceptualisation to production stage, to ensure the needs of the new markets are met
- **Quality standard:** Ensure the international standards in product and quality management. Also ensure the use of quality raw material for goods production. Especially food and beverages
- **Collaborate:** Partner with global and local companies to strengthen value chain and improve competitiveness
- **Digital Channel:** Find efficient distribution channels and models to ensure fast delivery of goods and business growth. Harnessing the opportunities embedded in e-commerce and online presence could help access new customers and gain brand loyalty
- **Backward integration and Inventory:** Establish relationship with suppliers of raw materials (e.g farmers) to ensure stable supply of low-priced fresh produce. Purchase inventories preemptively to bypass price volatility.
- **Technology:** Employ modern technology to enable quality and seamless business process and production



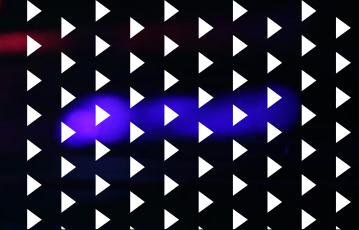
Andrew S. Nevin Ph.D

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03

Digitalisation: Behind the curve





The importance of digitalisation for family businesses in Nigeria

The global pandemic eliminated the doubts about the need for digital transformation in businesses as virtual working became the new norm. Businesses which had strengthened their digital capabilities fared better than others who were just finding a way to cope with the new reality.

This also played out among family businesses, as those with strong digital capabilities and access to good data performed better than others.

Even though 59% (80% globally) of family businesses adapted to the challenges of the COVID-19 pandemic by enabling home working for employees, there are also concerns about their digital capability.

Almost 60% of Nigerian FBs acknowledge that they are not strong in digital capabilities but only 34% deem it a priority (See figure 7)

Figure 7: Summary of Nigeria digital capabilities and priorities

Q. How strongly do you agree or disagree that...

16%

Strong and still a priority (19% globally)

25%

Strong, no longer a priority (19% globally)

34%

Not strong but is a priority (33% globally)

25%

Not strong and not a priority (29% globally)



Family businesses need to build and leverage strong digital capabilities. Yet there are clear generational differences: 41% of businesses that describe themselves as digitally strong are 3rd or 4th generation, and Next Gens have taken an increased role in 46% of digitally strong businesses.

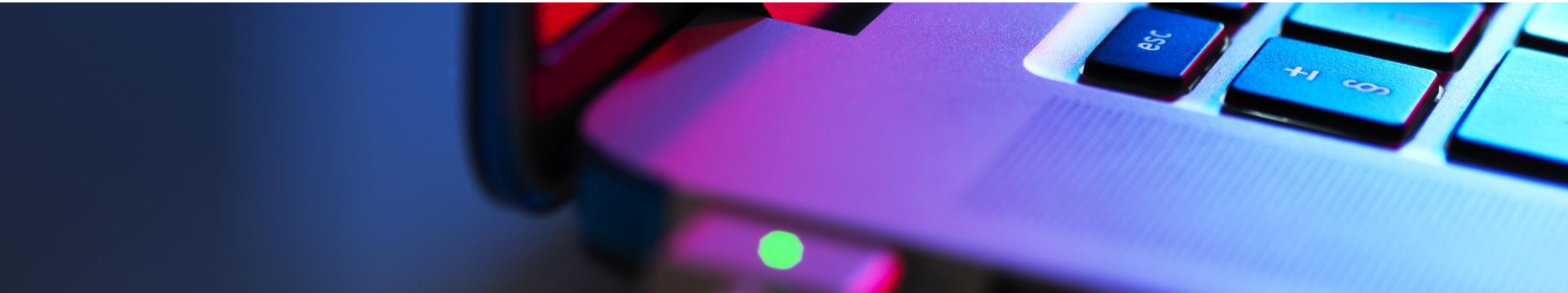
During the lockdown, the digital economy was the least impacted economic sector in Nigeria. Businesses engaged more with financial technology (fintech), virtual meetings and trainings, as well as e-commerce. E-commerce

companies in Nigeria were projected to make huge profits due to increased adoption of online shopping during the nationwide lockdown.

It is estimated that **Nigeria fintech industry revenue could more than triple from US\$0.15 billion in 2017 to US\$0.54 billion by 2022** if digital payments platforms live up to their promise and e-commerce markets expand. **The number of internet users also increased massively from 83.95 million in 2019 to 99.05 million users in 2020** ([statista](#)).

These statistics point to the possibilities of growth that come with digital transformation, and why family businesses in Nigeria need to adapt for the changing times and trends in digitalisation.

Nigeria is increasingly becoming a target of cyber attacks with 86% of Nigerian companies being affected in 2019 alone and Nigeria losing about \$649 million in the same year from cyber attack. This affirms the need for family businesses to reinforce their cyber security and ensure business processes are digitalized.



Delivering Digital Transformation for the Family Business

Given the effect that the pandemic has had on the global and local economy, the following are key areas for digitally transforming family businesses for success:

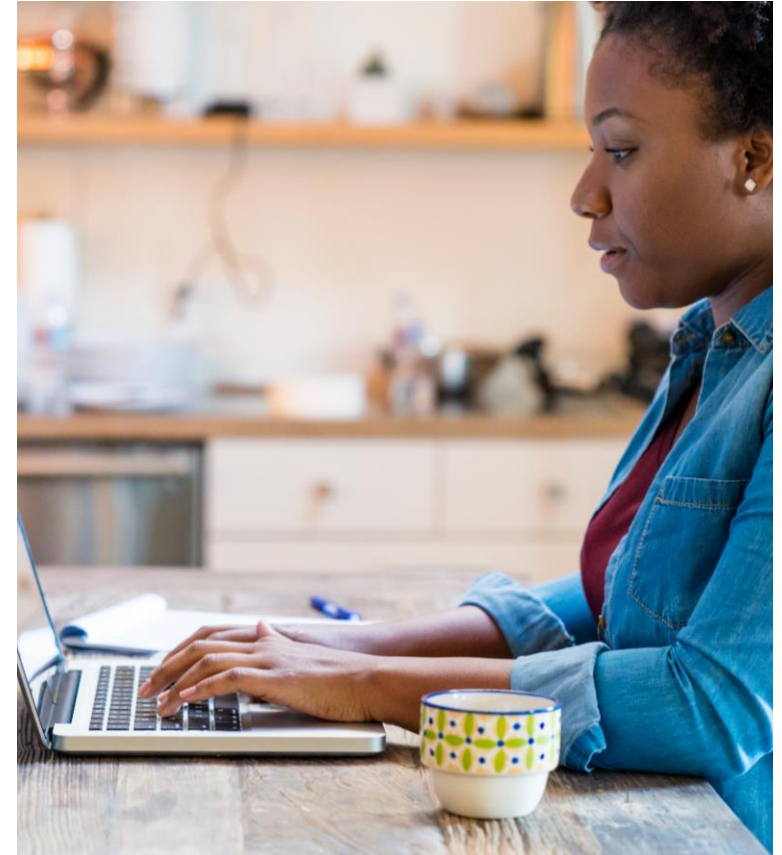
- 1. An Agile Culture built on Resilience:** Nothing works without the right mindset. Businesses that are able to create an agile and resilient workforce culture will have a significant advantage.
- 2. Optimisation Journey:** Optimising your digitalisation journey can start from any point. Whether your business is completely new to digital processes or if you are already further along, there are many accessible and affordable tools and resources which family businesses can employ to enhance various parts of their business.
- 3. Collaboration and Integration:** Family businesses can effectively collaborate with external and internal teams by reducing physical borders to improve turnaround times and expand businesses. Pandemic restrictions fall away with digitalisation thus reducing process disruptions.
- 4. Talent management:** Resource management can provide a long-term competitive advantage for family businesses. The key is investing the proper amount of time and attention to ensure that pivotal talent is identified and nurtured. Data analytics and performance monitoring is essential in identifying strengths and weaknesses of talent that will professionalise the family business. These can be applied to family members and nextgen to enhance performance.



Ada Irikefe

Head of Disruption, Experience Center
PwC Nigeria

The PwC Experience Centre, Lagos is designed to work with and create value for clients by leveraging multi-disciplinary delivery teams composed of Data Analysts, Machine learning/Intelligence Automation specialists, Digital Strategists and Technology consultants. We co-create with clients in an integrated approach to deliver actionable results to prepare businesses for the future.



04

Governance:

Key to a strong legacy





Governance is the key to managing and preserving your legacy

Family dynamics are always an emotional issue in Nigeria, just like in most other places. Added to that are the cultural values that limit family businesses from formalising their governance structures and practices. Discussions around family dynamics are often avoided due to their sensitive nature. However when addressed, they can lead to significantly stronger outcomes.

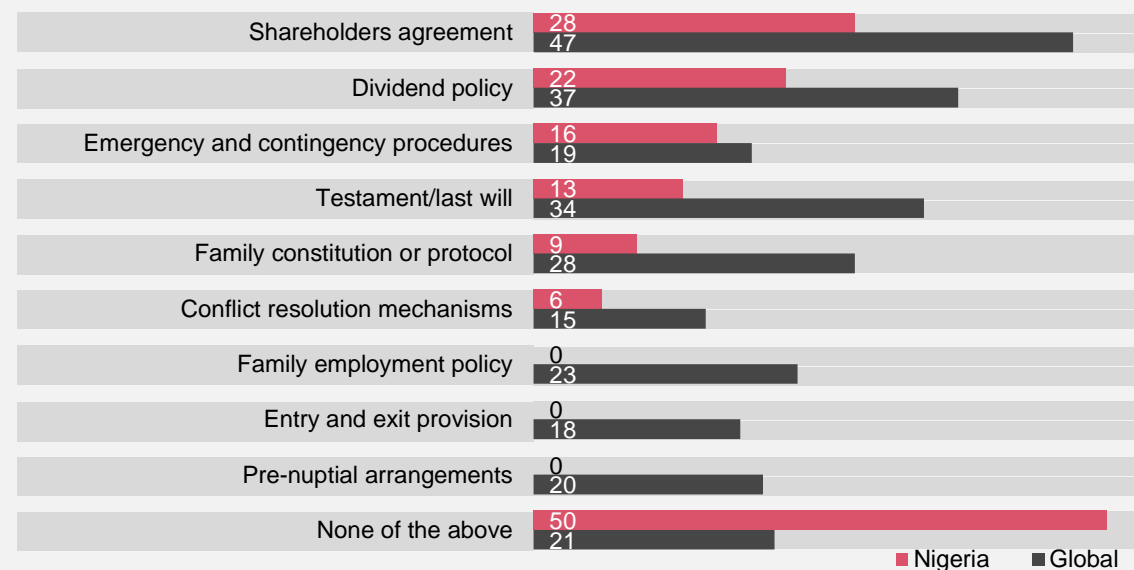
There is a notion that family businesses have been successful without formalised structures and processes in place. The inflexibility and inability of founding generations to see the impact of this has caused next generations to be disinterested in the business. It may also be why our survey showed that only 50% (compared to 62% globally) have next generation working in the business.

However, we see family business governance and structures being put into place in bigger family owned companies.

While family businesses report good levels of trust, transparency and communication, the survey highlights gaps in embedding professional governance structures. 50% of family businesses have no governance policies in place (see figure 8). The figures fall dramatically when important aspects are assessed. For instance, only 9% (28% globally) have a family constitution or protocol in place, while only 15% have established conflict resolution mechanisms.

Figure 8: Governance policies in place?

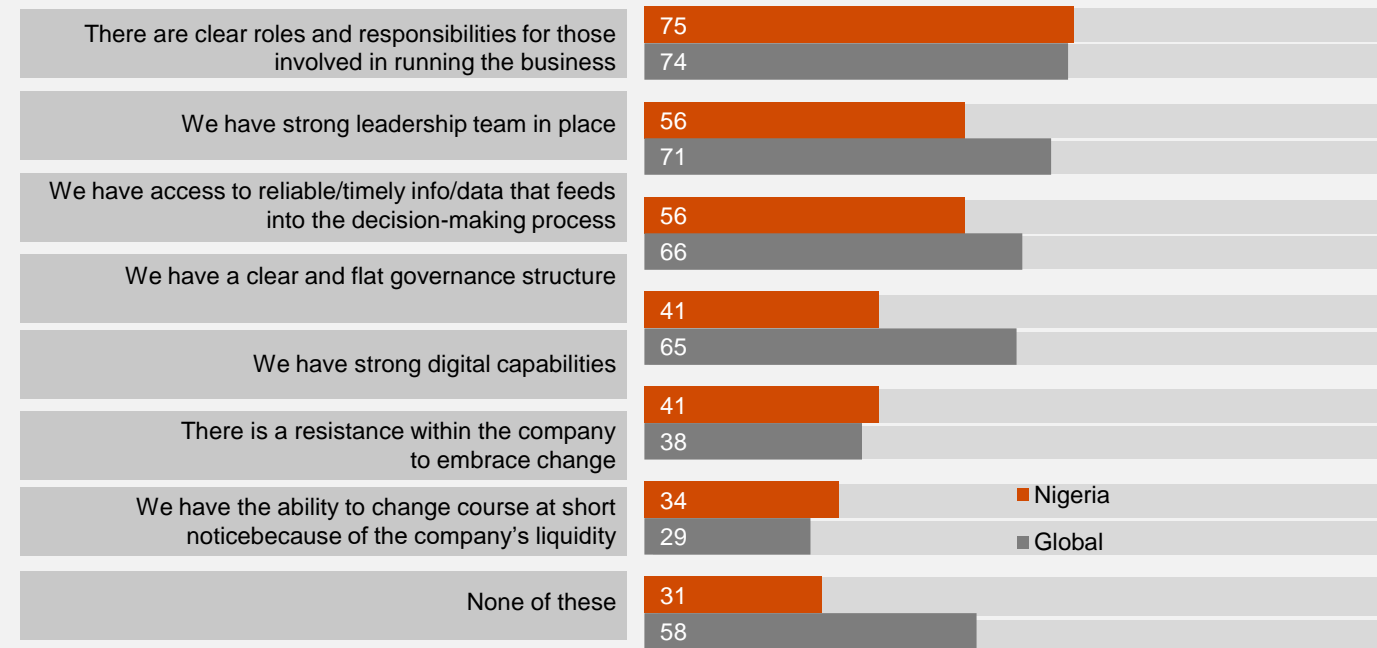
Q. Which of the following policies and procedures, if any, do you have in place?



Nigerian family businesses feel less confident about having a strong leadership in place (56% vs 71% global). They also feel unable to change course at short notice due to their liquidity situation (30% v 58% global) (see figure 9).

Figure 9: Agreement with statements (Top 2)

Q. How strongly do you agree or disagree that...





There is a spotlight on succession Planning in the survey (see figure 10). Only 25% of Nigerian FBs say they have a robust, documented and communicated succession plan in place (30% globally). Nigeria has lesser (38%) Nextgen involved in the business than globally(55%) (see figure 10).

However over the long run, 90% of Nigerian FBs want to create a legacy and create dividends for family members and protect the business as a family asset (84%) (see figure 11).

The survey confirms an upward trend in business planning for succession as family businesses are expecting a significant change in governance over the next 5 years from owner family managed (97%) to family owned (externally managed) 59% (see figure 12).

Figure 10: Next gen involvement?

Q14. Are there any next generation family members involved in the business who...

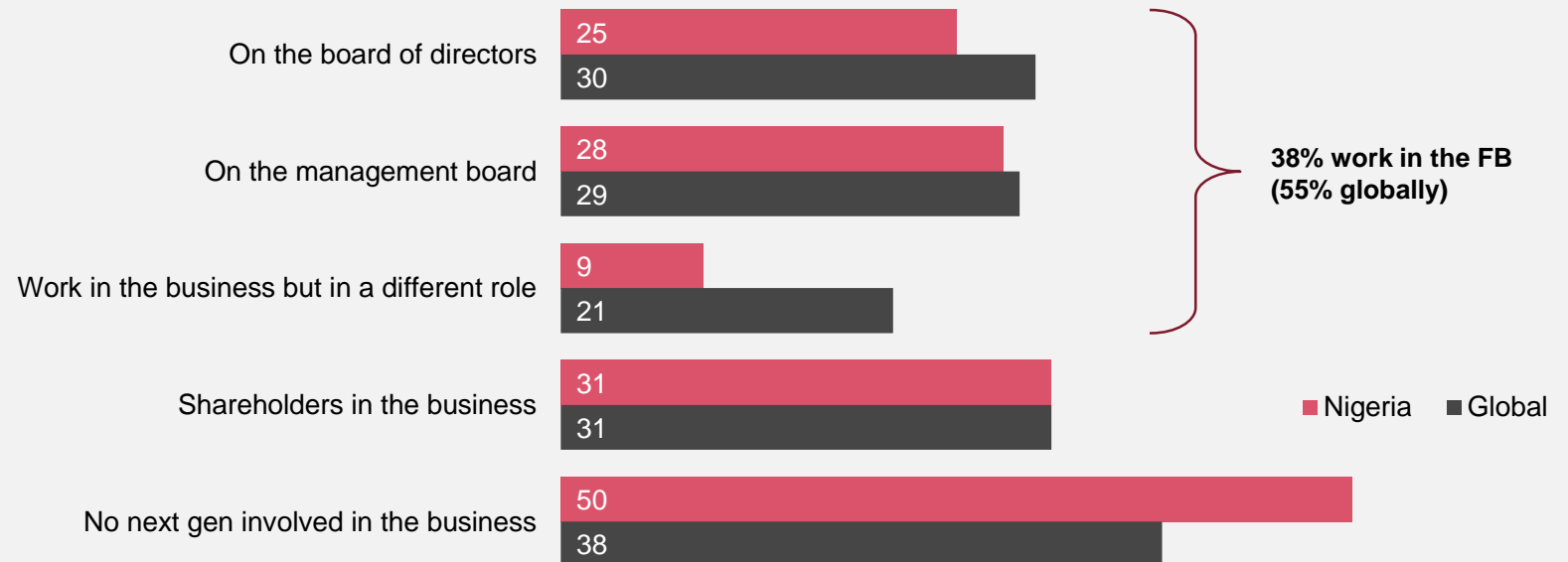


Figure 11: Important personal long term goals (5+ years)

Q27. How important are the following longer-term goals to you i.e. OVER THE NEXT FIVE YEARS OR LONGER?

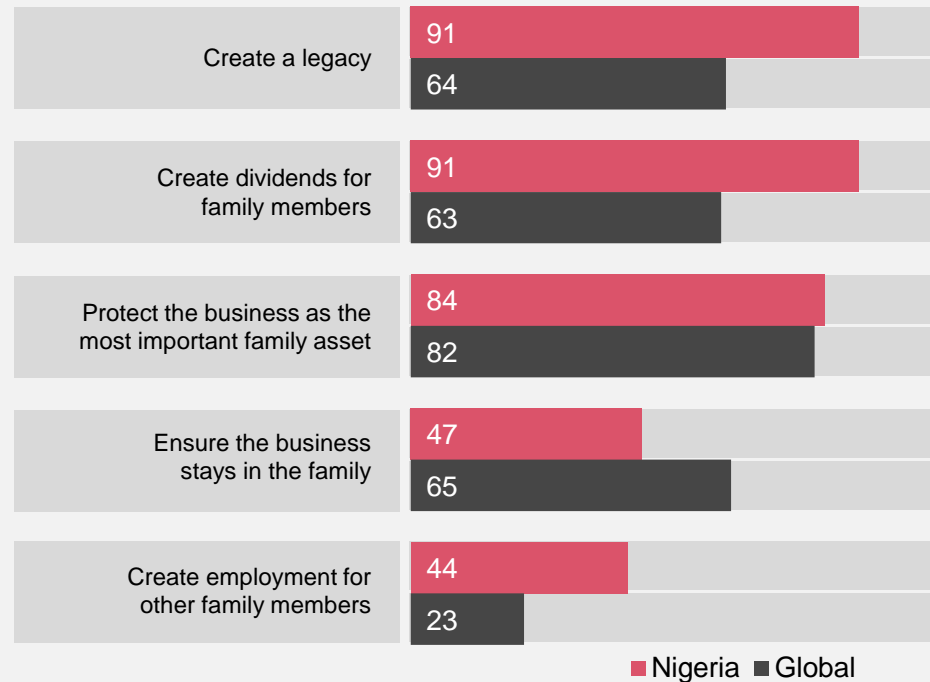
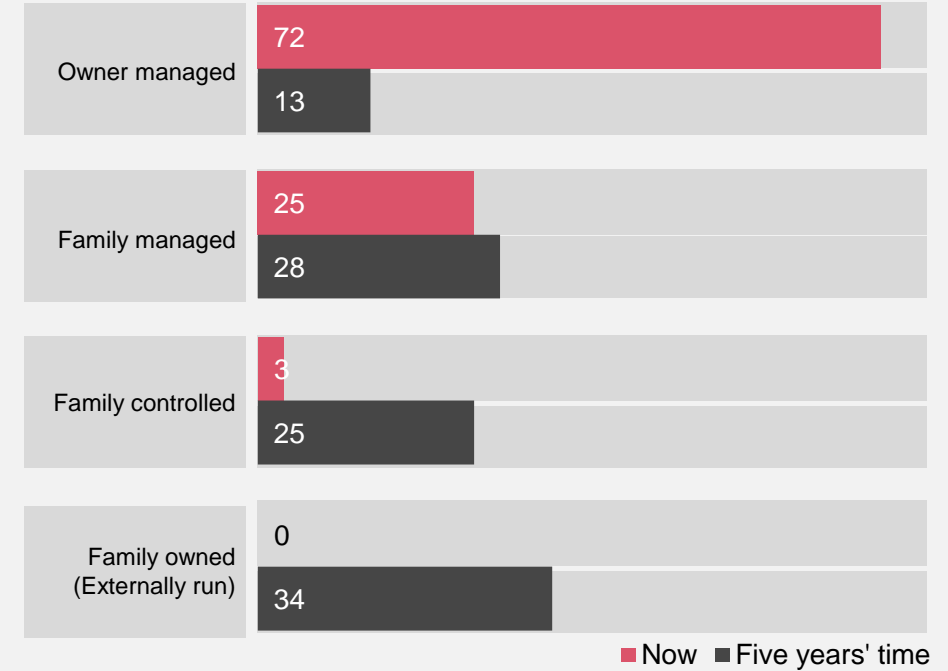


Figure 12: Governance structure in five years' time?

Q7. Please plot where you think your company CURRENTLY lies on the model below?
Q8. And where on the model do you think your company will be IN FIVE YEARS' TIME?





How to start addressing family governance

Given the impact of good governance on the sustainability of the business it is important to consider the following:

- It is not a one-size fit all as no family is the same.
- The family should explore various governance models and decide on which model is the best fit.
- Governance is evolutionary. The stage of the business has to be taken into consideration.
- The governance should align with the business as it grows in size and complexity. It should also evolve based on the evolution of the business and the family.

Developing an effective governance framework should start with:

Assessing your current state

Families typically have unspoken governance structures. Take time to understand how decisions are currently made and the role that the family dynamics plays. Understanding the current practices helps to refine the process going forward.

Defining your family values and mission

Having a shared value and mission statement is likely to result in shared decision making. Your shared belief will guide how you operate and legacy it will pass on. Embracing your family values is critical to an effective governance structure.

Establishing the right governance structure for your family

Your governance structure should align with business and the family needs, Each family structure will vary.

The governance structure should evolve as the family grows. The addition of next generation decision makers should trigger changes. Typically the first step is to hold a family meeting, then evolve to establishing a family council.

Reviewing family roles and responsibilities

The roles of family members should be defined, as well as the roles of non-family employees, and other stakeholders. An effective governance structure must accommodate changes in responsibility and involvement in the family business and the way decisions are made.

PwC's Owner's Agenda framework is designed from an owner's unique vantage point and perspective and allows for the articulation of the Owner's views of managing Ownership and Business. (See figures 13a, 13b, 13c)



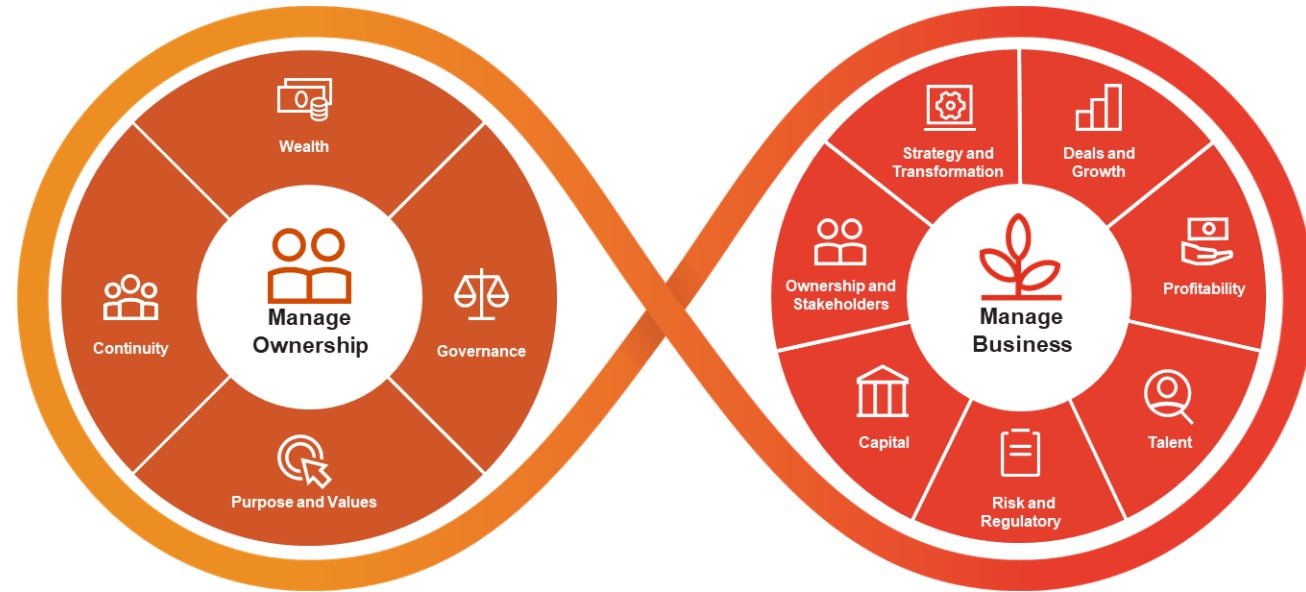
Chukwunomnso Anyichie

Head, Governance, Risk and Compliance
PwC Nigeria

Figure 13a: What is the Owner's Agenda?

It is about how the FB owner wants the business to evolve. But you need to balance growth today with building a legacy for the future.

That's why we've created the **Owner's Agenda**, a framework to harness PwC's deep expertise to create the right approach for your goals, across both **Business** and **Ownership** issues.



Manage Ownership Wheel

The Manage Ownership wheel reflects the personal issues such as wealth management, values and legacy that are important to owners.

Manage Business Wheel

The Manage Business wheel helps identify and co-create solutions to manage the Owner's Business.

... and there is a tool that sits behind this that can be used to guide each discussion and analysis topic and develop a tailored list of actions

Figure 13b: The “Manage Ownership” wheel

From legacy building to exit strategies or professional wealth management, the Manage Ownership Wheel captures the most important challenges for long term success

Wealth

- Investment strategy
- Assets and wealth management
- Responsible investment
- Family office
- Privacy and security
- Tax and legal structure
- Fragmentation of shareholding
- Exit planning
- Luxury Assets

Continuity

- Succession planning: Ownership and Leadership
- Testament and emergency plan
- Next Gen development and responsible ownership
- Generational transition and knowledge transfer
- Transfer of shares



Governance

Corporate

- Management and control structure
- Supervisory board
- Remuneration
- Dividend policy

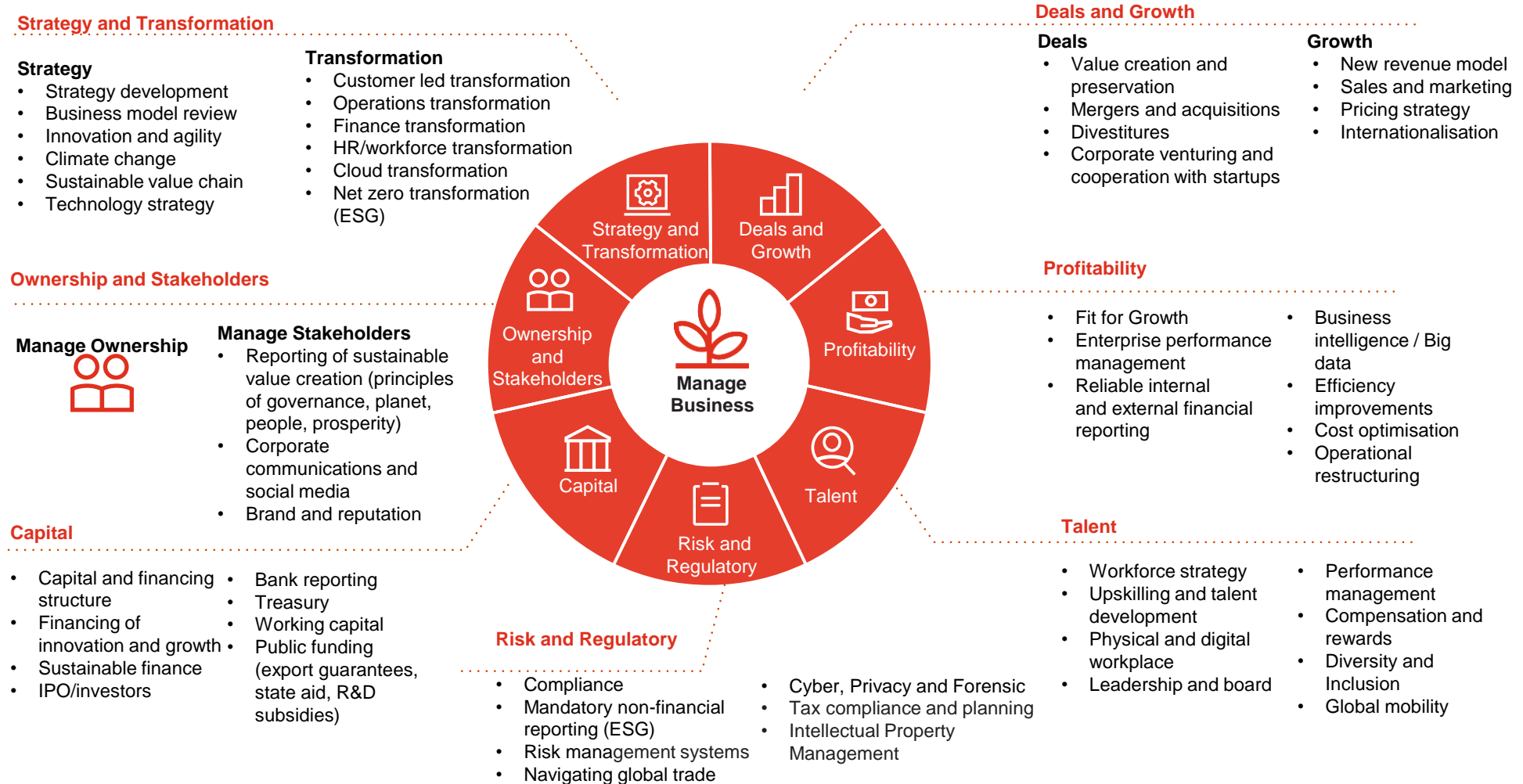
Family

- Branch or family organisation
- Family / Owner council
- Family education
- Family employment policy
- Family management
- Conflict management

Purpose and Values

- Identity
- Shared mission and vision
- Business and investment ethics
- Philanthropy and impact investing
- Family activities

Figure 13c: The “Manage Business” wheel



05

Sustainability will
drive transformation





Sustainability will drive transformation

Generally, there is a reluctance to embrace sustainability despite the fact that family owned businesses are highly likely to engage in some form of social responsibility activities. Although a majority of Nigerian Family businesses see an opportunity to lead in sustainable business practices and about 91% of Nigerian family businesses engage in some form of social responsibility activities (see figure 14) . Most of these activities involve contribution to the local community or traditional forms of philanthropy. Only a third of Nigerian family businesses have a developed and communicated sustainability strategy (see figure 15).

Figure 14: Activities engaged in?

Q. Which, if any, of the following does the business or the family owning the business engage in...

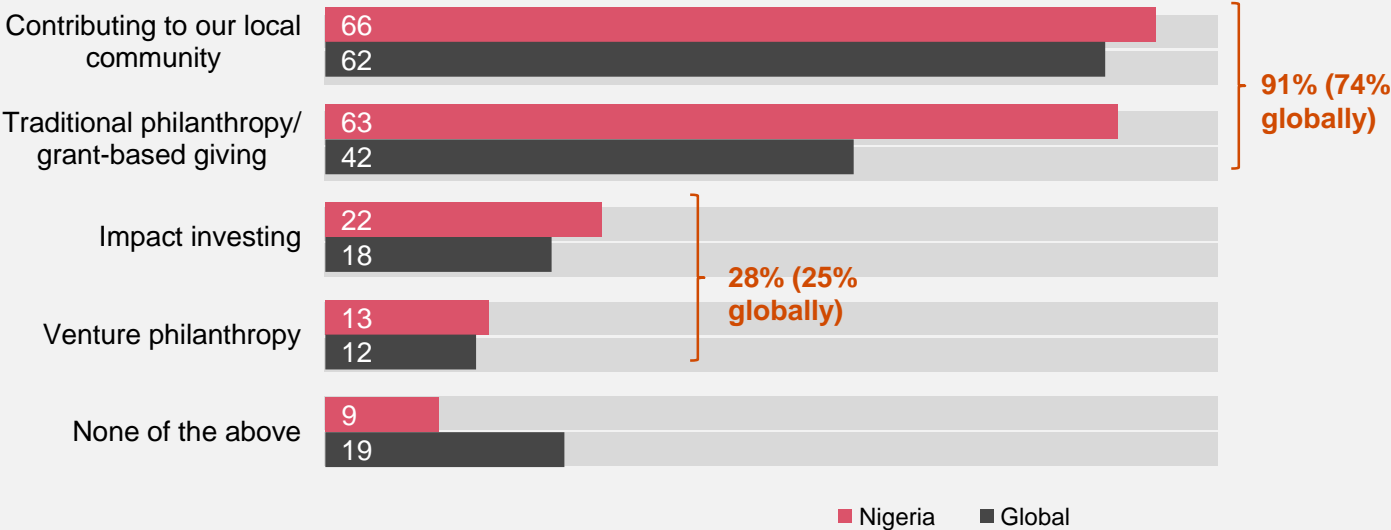
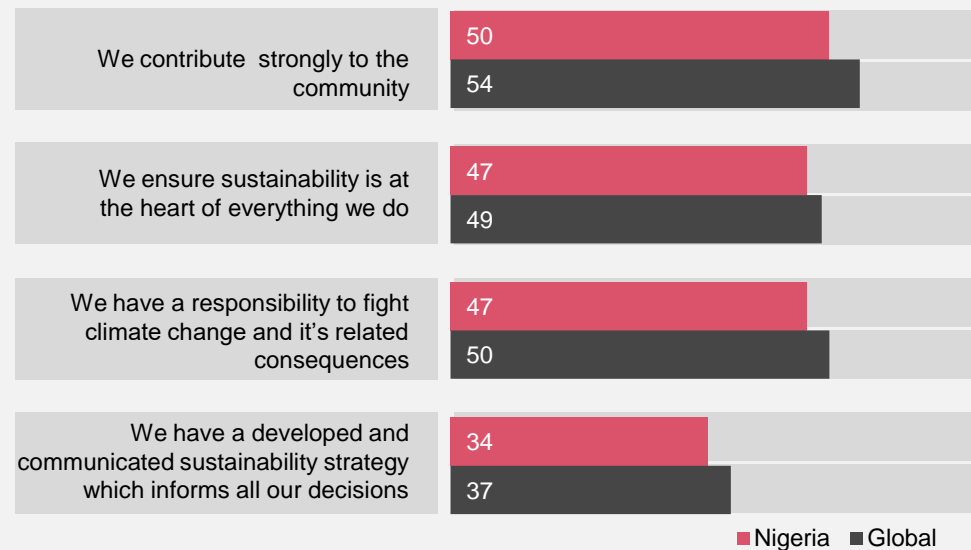


Figure 15: Agreement with statements (Top 2)

Q. How strongly do you agree or disagree that...



A majority of Nigerian FBs see an opportunity to lead in sustainable practices. A higher proportion (69%, v 53% globally) of Nigerian FBs believe their business needs to deliver greater benefits to planet and society to succeed (see figure 16). It is heartening to note that majority of Nigerian FBs see value in paying their fair share of taxes. (see Figure 16).

A strategic approach to Environmental Social Governance (ESG) matters is essential. There is much to be learnt from global trends of social impact investing and ESG investing, which is where the world has moved on to.

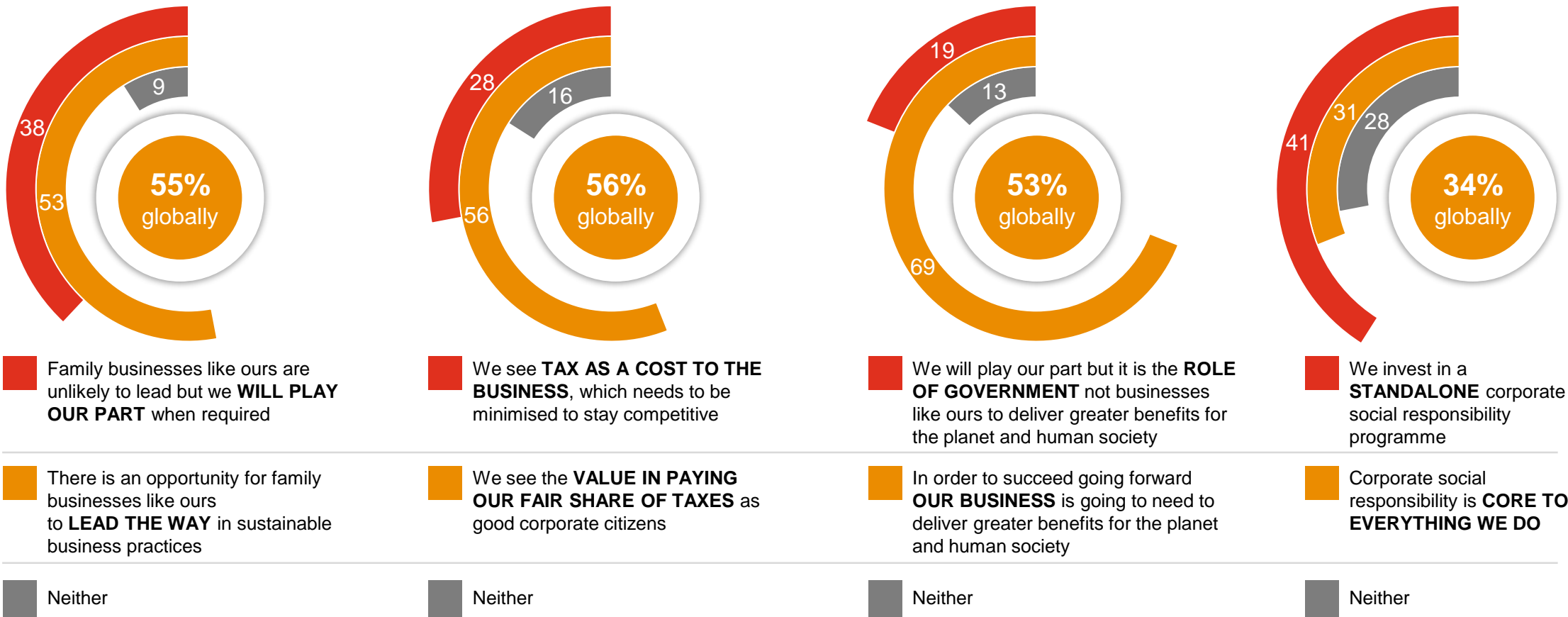
- In 2021, a significant shift is expected following the pandemic. While governments have historically initiated and led sustainability policies and regulations, we expect that market regulators and operators will step up and play a leadership role in encouraging good corporate governance and transparency among companies. We also expect investors urging company boards to review their corporate strategy through an ESG lens.

- With Nigeria receiving a limited number of COVID-19 vaccines, some form of lockdown and social distance measures will continue as material and equitable access to the vaccines will remain a challenge for developing countries such as Nigeria. On the part of the private sector, businesses will continue to deploy business continuity plans and innovative ways to support remote working, capable of handling the uncertainty of outbreaks. In the wake of the pandemic, private sector actors will continue to partner with the government in awareness creation and provision of support, while working towards designing and achieving an inclusive business model with an emphasis on social impact.
- Overall, sustainable consumption patterns in diets, eco-friendly products, transportation, packaging, eco-tourism and sharing economy, are on the rise globally. A galvanising shift towards these trends is still nascent in Nigeria.



Figure 16: Almost 70% of Nigerian FBs feel they need to adopt sustainable practices to succeed (higher than the global average)

Q. Which of the statements below best describes the way you feel about the role of your family business today?





On the production end, Nigeria already practices some form of 'circular' activities (mostly through re-use and recycling) and we expect that such trends will continue. We believe that the growing awareness and need for sustainable production and consumption practices, amongst consumers will drive Nigeria businesses to rethink their policies and attitude towards more sustainable practices.

Here are some areas to consider in incorporating ESG into family business operations and to engage with both the NextGen and the board in the process:

Embed ESG in your business and operating model. The family business leaders globally voiced their opinion on this and agree: ESG has gone from a nice feature for a company to have to an imperative for success.

Follow best practices on non-financial reporting. The World Economic Forum recently published its Measuring Stakeholder Capitalism report, which describes a set of universal metrics under four pillars: people, planet, prosperity and principles of governance.

Communicate. It is highly important to communicate the company's goals with employees as It helps them understand the significance of goals and work towards achieving it. This would work well for implementing ESG.

The success of the family businesses have always been the foundation and ethos on which it was built. Most families have instituted a strong sense of culture and tradition, aligned objectives as well as intended overall financial sustainability of the family. One of the most critical components in a family business evolution is moving from the processes, people and structures that proved successful to one that embeds the principles of responsible governance in its day-to-day.

In the light of emerging trends and the impact of COVID-19, family businesses would need to understand the relevance of a responsible governance system bearing in mind the risks and issues faced as a result of the changing business landscape.

As part of a strengthened governance system, a revised succession plan (where non-existent) is crucial to serve as a guide to efficient functionality for the succeeding generation. This is imperative for them to actively participate and get involved in the business as the disruptions caused by COVID-19 has created the need for individuals to inherit and manage businesses they have little or no understanding of.

Having a structured governance in the family businesses creates a strong foundation for these businesses to improve their accountability and their transparency across their operations which consequently opens up and creates numerous opportunities for them to develop and improve their overall business performance.



Rukaiya El-Rufai

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Conclusion

Family businesses remain a strong support for the growth of the Nigerian economy. Albeit, there is room for additional improvement.

Some of the major findings from the survey are highlighted below:

- Most family businesses see the need for sustainable practices like paying more attention to the environment, giving back to the society and promoting culture and values
- Governance in family businesses is a top priority and should be reviewed periodically for effectiveness, adequacy and efficiency
- Majority of family businesses perceive their digital capacity as weak, but see digital transformation as a top priority
- More family businesses see value in paying their fair share of taxes and are prepared to sacrifice to improve the communities they operate in. However they want more accountability from the government so the taxes deliver greater good.

Here are Immediate actions that will help secure a lasting formula for success for generations to come:

Transform Digital Capabilities. Family businesses should replace mechanical processes with digital solutions. With different digital solution providers in Nigeria, family businesses can utilize low-cost, efficient business solutions like mobile applications, HR softwares, digital marketing, and customer-friendly websites to grow their businesses.

Professionalise family governance. A governance structure with traits like clear conflict resolution process, adequate oversight and the absence of emotions and personal bias is important for family businesses in Nigeria. This type of governance structure breeds professionalism, sense of responsibility and operational efficiency.

Deliver on ESG. To build family businesses that will last a lifetime, ESG factors must be prioritized. Family businesses must contribute to environmental safety and support the culture and values of their immediate societies. This helps to promote sustainability and societal impact.

Expand into new services/products. One of the big lessons from the Covid-19 pandemic for businesses in general is the need to diversify business activities to reduce overall revenue risk. Family businesses that are focused on only one or two products/activities must explore new business services that are appealing to the market place. Adequate consideration of factors should be done before concluding on new services to expand into.

Advocate policy changes in clusters. Family businesses must start advocating new policies that positively influence the order of business operations; tax transparency; promote the ease of doing business; and encourage the emergence of new entrants. Special regimes for accelerator programmes can be considered to foster growth and expansion

06

Appendix: Methodology





About the Family Business Survey

PwC surveyed companies covering a wide range of sectors from manufacturing to technology. Survey methods used included interviews, report findings, data modeling and text analysis. The goal of the survey is to get an understanding of the opportunities and challenges faced by family businesses, as well as long-term strategic plans to ensure growth. Respondents surveyed included the founders, first and second generation (in some instances) over various industries participated in the survey.

Overall, total combined turnover of family businesses interviewed was estimated at US\$1 billion. 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.



2,801
interviews conducted with
key decision makers in
family businesses



Online interviews averaging
17-18 minutes and
conducted in local language



Interviews were conducted
between
5 October and
11 December 2020



Across **87**
territories

pwc.com/fambizsurvey





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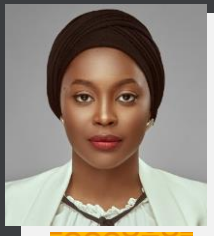
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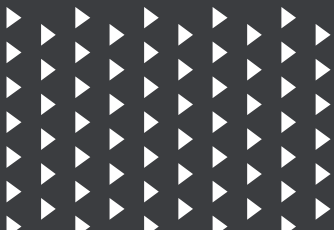
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