

PwC Next Generation Survey 2016: The Female Perspective

*A special release of the
Next Generation Survey*

March 2016



The female line

We're marking International Women's Day with a special edit of our upcoming survey of the next generation of family business leaders¹. We've been running an international survey of family firms for over ten years. In our last survey in 2014² we included our first-ever survey of leaders-in-waiting. We asked them about their plans for the future, and the unique challenges of being the 'boss's child'.

Reading through the responses, we were struck by how differently women answered some of the questions compared to their male counterparts. To take just one example, male respondents often told us that they were involved in professionalising the firm, in areas like systems, processes, and skills. Women,

on the other hand, were more likely to be involved with professionalising the family, by helping to set up governance measures like family councils. Both roles are vital, but this striking gender division between 'hard' and 'soft' skills is nonetheless an outdated stereotype, and one that all companies need to

challenge if they are to maximise their talent pool. Family firms are not exempt, but their issues are undoubtedly more complex, thanks to deep-seated cultural assumptions about inheritance and the 'male line', which are still prevalent in many economies. It's another, but very telling, example of just how inextricable 'family' and 'firm' still are.

For this year's Next Gen Survey, we decided to look specifically at the women working in family businesses, and hoping – many of them – to take it over one day. What is their experience? What issues do they face? Do they have the ambition and support they need to succeed, and if not, what factors are holding them back?



73

interviews with next generation women in family businesses with a sales turnover of

USD \$15.9bn

Across 25 countries

Australia	Germany	Malaysia	New Zealand	Romania	Spain	Taiwan
Brazil	Hong Kong	Malta	Nigeria	Singapore	Sweden	UK
Canada	Ireland	Mexico	Peru	South Africa	Switzerland	US
Finland	Italy	Netherlands	Portugal			

Maximising your talent pool

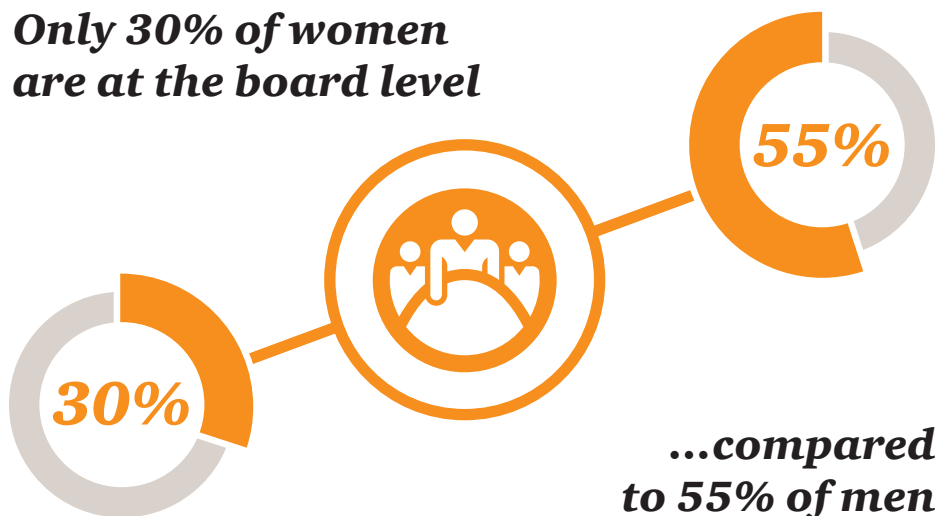
The gender gap in all forms of businesses continues to make headlines, whether that's a gap in pay, a gap in participation, or a gap in the numbers of women on boards.

Some of these stats make depressing reading. According to PwC's latest Women in Work Index³ for 2016, a woman still earns only \$83 for every \$100 earned by a man doing the same job. Likewise, while 40% of Norwegian companies may have women on their boards, the Scandinavian countries are way ahead of the rest of the world, with France (26%), Australia (23%), the UK (22%), and Germany (20%) lagging behind. At 16%, the US is actually below the OECD average of 17%, and the figure is as low as 2% for Japan.

And all this is despite the fact that study after study has proved that companies with female leadership actually outperform those run by men. Research⁴ by crowd-sourced hedge fund Quantopian in 2015, for example, showed that female CEOs of Fortune 1000 companies deliver returns three times higher than those of S&P 500 businesses which are run predominantly by men. And as for what might be driving this, one credible theory is that it's down to the sheer hard work and ambition women need to get that far, which then results in stellar business performance.

So where do family firms fit in? What's the representation of women in these businesses, and how do the female next gen feel about the prospect of leadership? The good news here is that

Only 30% of women are at the board level



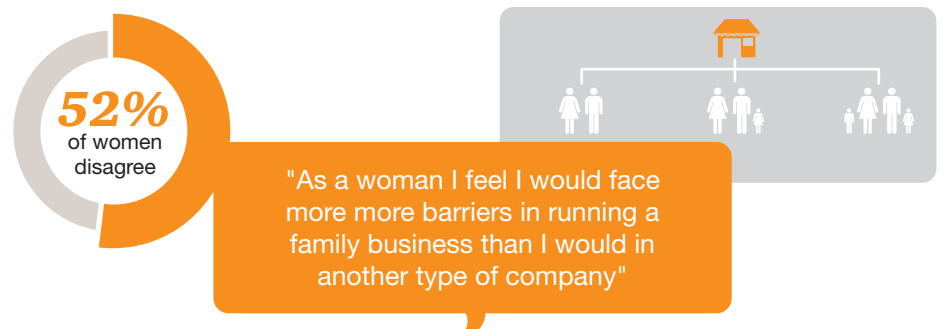
30% of the women we interviewed have a seat on the board, which is noticeably higher than the global average for public companies, albeit still significantly lower than the 55% of male next gens in the same positions. Likewise, over half the women we spoke to disagreed that their gender would be a barrier to them running the family business, compared to other types of company, and nearly the same number said that their firm recognises the value of having women in key positions.

What this adds up to is an intriguing possibility. While the family firm is sometimes considered old-fashioned and reluctant to change, our survey suggests that in this respect it could be

quite the opposite. The family firm could actually be one of the most supportive and conducive environments for ambitious and talented women to develop their careers.

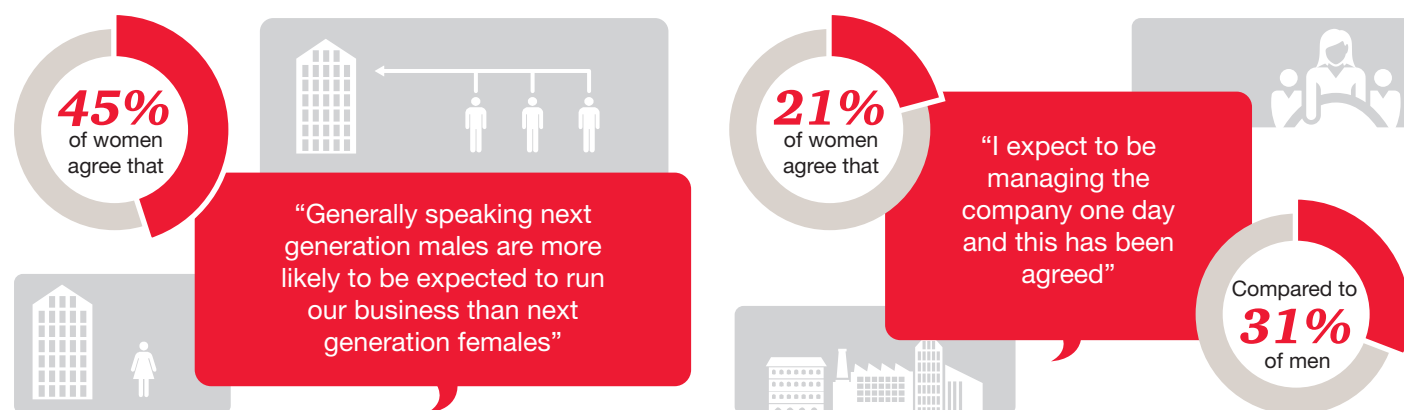
There are exceptions, of course, especially in some cultures and some sectors, and there's still a long way to go to achieve genuine parity. But it could just be that family firms are ahead of the curve in looking to the female line for the talent, energy, and creativity they need to succeed in a fast-changing world. And the returns could be very significant: a report last⁵ year estimated that the financial cost to public companies of having no female directors could be as high as \$655 billion.

1. The Next Generation of family business leaders 2016 Survey will launch on 12 April 2016
2. *Up close and professional: the family factor*, PwC's Global Family Business Survey, 2014, www.pwc.com/gx/en/services/family-business/family-business-survey.html.
3. PwC's Women in Work Index, 2016, www.pwc.co.uk/womeninwork
4. www.fortune.com/2015/03/03/women-led-companies-perform-three-times-better-than-the-sp-500/
5. Women in Business: The value of diversity, 2015, http://www.granthornton.global/globalassets/wib_value_of_diversity.pdf



Confidence tricks

Women in family businesses clearly have a lot to play for; the irony is that the one thing standing between them and success is the (lack of?) confidence that they can achieve it. And it's not so much their family's confidence that's at stake here; it's their own.



There is a widespread perception among our female survey respondents that their brothers and male cousins are 'expected' to take over. Forty-five percent of women agreed that the next generation of men is more likely to run the business, and only 21% of women say that it's been agreed that they will manage the company one day, compared with 31% of men. Just as tellingly, only 77% of women believe the current generation has confidence in their ability, compared with 93% of men. But the important word in that sentence is 'perceive'. Are women right to be so diffident, or are today's young women still tricked by the sort of self-doubt that can undermine everything they could otherwise achieve? Forty-four percent of our

female respondents hope/expect to manage the company one day compared to 67% of male respondents.

Our previous Next Gen Survey highlighted the 'perception challenges' all next gens face as they come into the family firm – both men and women. They feel they're under much greater scrutiny, and can struggle to gain the respect of their more experienced colleagues, especially if there's any suggestion that their position hasn't been earned. This can be an even bigger challenge for women, who can face all the usual issues of sexism in the workplace, as well as the added burden of a point to prove. There can also be deeply engrained (and often

unconscious) assumptions about family roles in family firms, which can 'leak out' into how the business is run, and jobs are assigned.

So what's the answer? Mentoring and leadership development training can help, and it's useful to have solid experience outside the family firm, to enhance credibility. Caroline Lubbers, a third generation currently working in the family business, demonstrates how creating and joining networks that focus on empowering women is, and has always been, the best way to achieve real, positive change – read her story on page 4.





Caroline Lubbers

Hotel Theatre Figi
Sector: Hospitality
Country: Netherlands

Case study

Empowering women: key to achieving positive change

Caroline Lubbers is unusual in that she comes from a family business on both sides. Steelmaking on her father's, and hotel and hospitality on her mother's. And it's both sides that inspire her in business, while she is involved in her mother's.

"My mother was the only daughter in a family of seven, so she was used to a very masculine environment, right from her childhood. She's a very strong personality, like a lot of my other female relatives, so our family has never had a problem with female leadership. It's very normal and natural for women to be in charge, and I've never felt that being a woman would hinder me in any way, or prevent me from managing the business myself one day. But female leadership is different than male leadership. My mother used to tell me about when she started out in business, and how she was the only woman among many men. Things have changed since then, but I think women still need to find their own leadership style, and have the confidence to follow that through. One of the things I want to do, personally, is help inspire women to do that, both inside our firm, and outside. Part of it is about accepting that it's good for men and women to have different goals and priorities in life. Not better, just different."

Caroline started her own career outside the family business, choosing instead to get experience abroad in a different sector, before returning to hospitality, her family's sector by working for Hilton in Italy. She then took a role as a marketing manager in her family firm, the Hotel Theatre Figi, in the Dutch city of Zeist, where she

now has a role on the family board, as well as a social enterprise business of her own. "When I joined the family business one of my biggest challenges was to keep a professional relationship with my family, and to make sure we kept personal issues out of our decision-making. But that isn't always easy: balancing the personal and professional is a tough one for me because I'm passionate, engaged and ambitious, and I like to achieve results, but I'm also a member of the family, and I feel a sense of responsibility and commitment to them. It's all about setting the right boundaries."

Digital technology is transforming the leisure and hospitality sector – it started with online booking, then there was TripAdvisor, and now, with the advent of AirBnB, the whole business model is changing. Caroline agrees that "the biggest challenge the business is facing is to stay relevant. Yes, everyone is talking about AirBnB but there are other huge opportunities out there, especially in how we engage directly with our visitors. The market is being changed by its consumers rather than the other way round – in other words what people are demanding of us. We're involving our younger generation family members in exploring this for us – they are 'digital natives', and they're much closer to this new technology than my uncles are."

Technology may be changing how the Hotel Theatre Figi reaches its customers, but its values and principles are the same as they've always been. "We are lucky in that we can take the long view, and focus on the profitability of the firm in the long term. And at the same time, I think every family business should aim to reinvent itself with each new each generation – keeping the core values but adapting your products or services to what the market wants. We also have a strong social conscience as a family, and this is what has inspired me to work with the cocoa industry to help achieve a more sustainable production system and supply chain. Doing this worldwide has proved to me yet again how important women's leadership is. Together with a NGO I am setting up an international network of women working in cocoa and chocolate. Because empowering women is, and has always been, the best way to achieve real, positive change."



A digital divide?

Our upcoming Family Business Survey⁶ and the Next Gen Survey launching on 12 April 2016 will be looking in detail at the impact of digital disruption on the family firm. This is another area where family firms – and private companies in general – can sometimes been seen as slow to change, and concerned about the levels of investment required to transform their business. But there's no longer a choice, at least in terms of digital: it's a case of adopt or die.

Given the perception that 'gadgets are for guys', it was intriguing to find that the female next gens we interviewed were more preoccupied with the challenges of new technology than the men. They're particularly attuned to the risk of not embracing digital – 37% feel that their business is vulnerable to the threat of digital disruption, compared with only 24% of men, and 44% say they struggle to get the firm to understand the importance of having a clear digital strategy, as against 34% of the men. There seems to be a degree of

Woman are more concerned about the threat of digital disruption

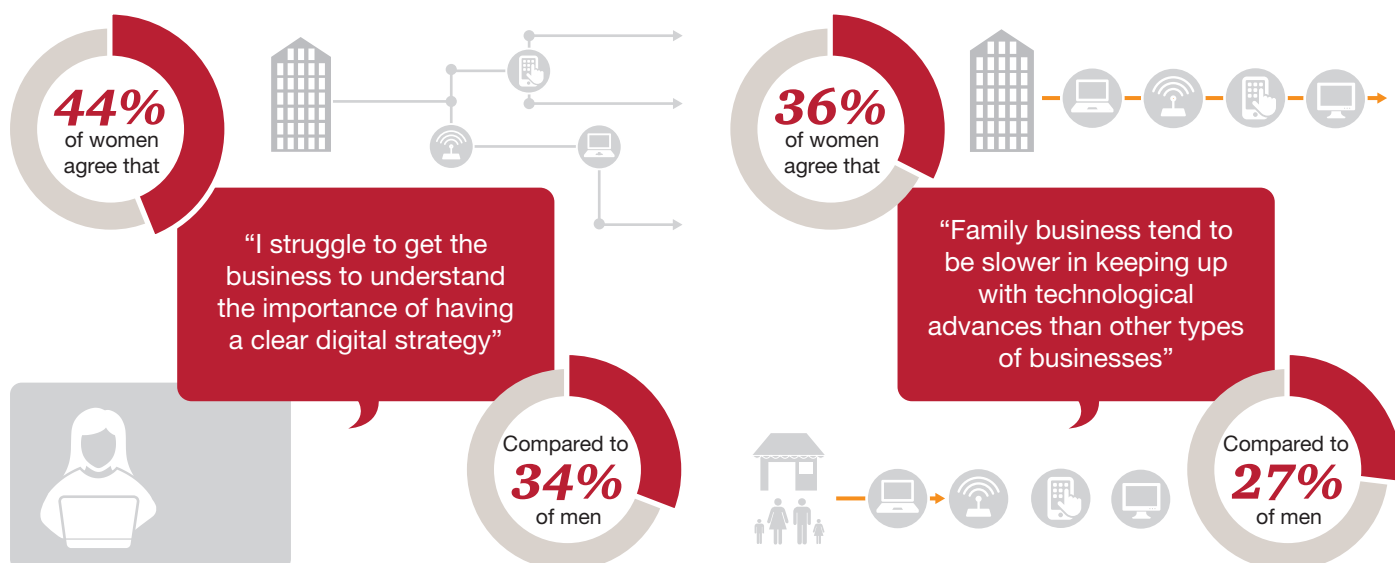


frustration, too, in the fact that 36% agree that family firms tend to be slow to take up new technology, with only 27% of men saying that.

The challenge, it seems to us, is to turn these very real concerns from the negative to the positive. Instead of warning about the risks, start talking about the opportunities, and exploring what these might mean in practice. It's worth observing, in this context, that only 68% of women say they have lots of ideas about how to take the business

forward, compared with 84% of men. There's clearly a lot more women could do to get on the front foot here.

Those who advocate having more women on boards say that this gives a business a richer and more balanced understanding of the company's customers and that, in turn, can enhance its competitive advantage. Women need to have the courage of their convictions, and turn their digital disquiet into digital drive.



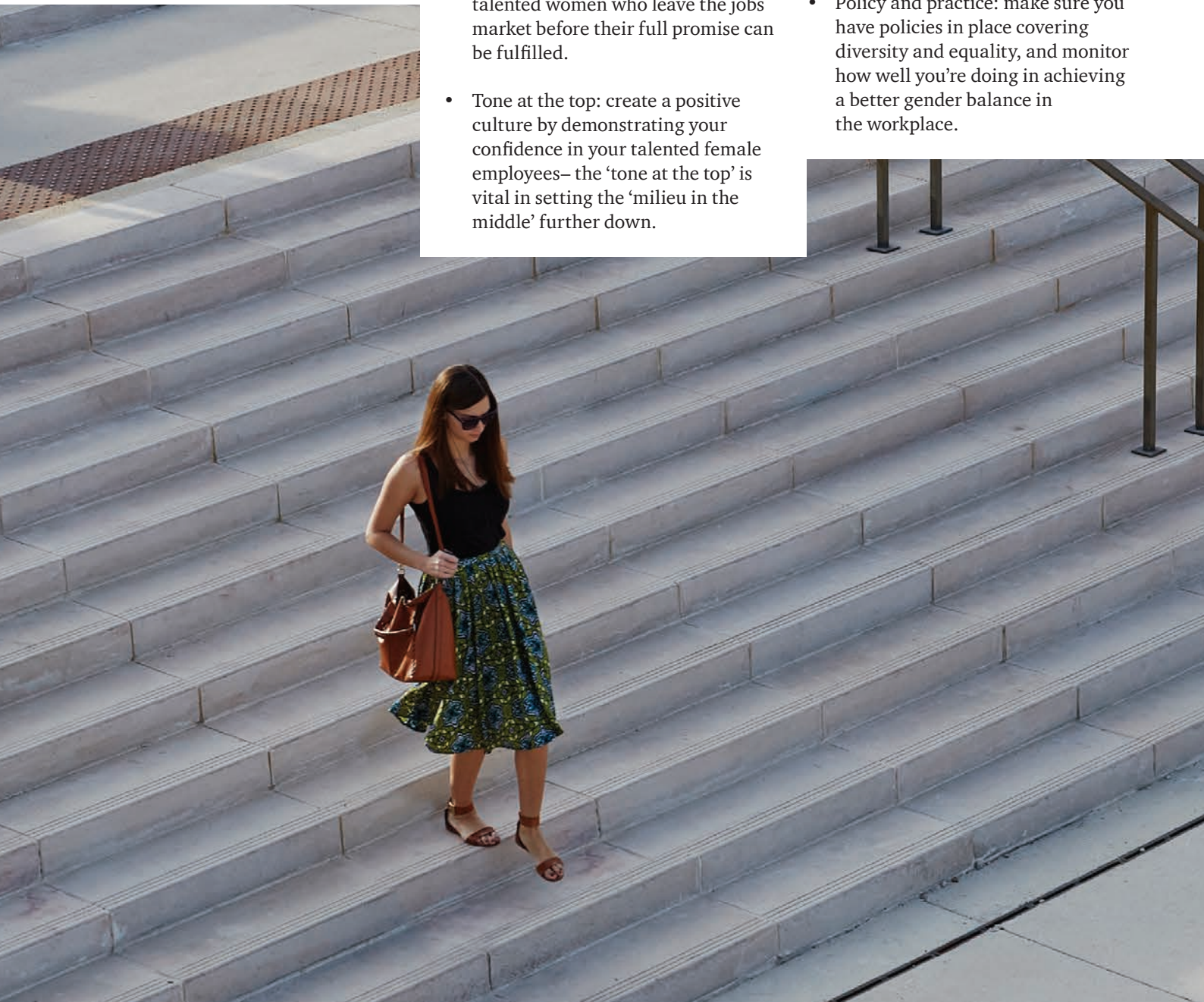
Looking down the line

The female next gens we spoke to have ambition and talent, and they're prepared to work hard to prove they deserve their seats on the family board. But as in so many other companies, women are still an under-used asset in the typical family firm.

So we're going to end on a practical note, with four important things family businesses can do to ensure that they get the most out of the women in their workforce – both their own next gens, and the other female talent that may well be drawn to the special qualities of this distinctive business model.

Here they are:

- Flexibility is key: women are looking for employers with a modern approach to work/life balance. This will make it easier for them to return to work after maternity leave or other longer-term breaks, and help plug the 'leaking pipeline' of talented women who leave the jobs market before their full promise can be fulfilled.
- Tone at the top: create a positive culture by demonstrating your confidence in your talented female employees – the 'tone at the top' is vital in setting the 'milieu in the middle' further down.
- Support and structure: work with your female next gens, and your other high-potential women, to develop clear career paths, and provide them with the right training and mentoring.
- Policy and practice: make sure you have policies in place covering diversity and equality, and monitor how well you're doing in achieving a better gender balance in the workplace.



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