Future focus: The next generation weighs in on how they will lead US family businesses

PwC’s US NextGen Survey 2022
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Foreword

The US cut of PwC’s Global NextGen Survey 2022 highlights that the next generation of US family business leaders has a laser focus on key priorities that can move family businesses forward, even as they grapple with important issues like the global pandemic, a shifting economy and sustainability.

This year is the first time we’ve called out findings specific to NextGens in the United States. While this report shows similarities with the global report, we’ve found elements that are unique and shine a light on the challenges and opportunities experienced by NextGens in the US. (You’ll find detailed survey demographics at the end of this report, but let’s start by concentrating on three key areas.)

**Growth**

Seventy-five percent of US NextGens see business growth as a key priority over the next two years. Growth is often top of mind for businesses, but as economic challenges develop in the US and globally, NextGens will need to be creative and strategic to achieve their goals. US NextGens will look to new products, new markets and M&A opportunities as a way to procure the growth they seek.

**Talent**

Tied with growth as a top priority, 75% told us they also see talent acquisition, management and retention as key over the next two years. As the Great Resignation continues to create talent shortages around the country and beyond, NextGens will need to lean into the cultural values and integrity inherent in their family business in order to attract and retain talent.

**Environmental, social and governance (ESG)**

Though 60% see the opportunity to lead the way in sustainable business practices, only 23% are currently engaged in reducing their organization’s environmental impact. This gap between priority and action reveals a significant opportunity for NextGens to actively weave their values into the fabric of the family business.

These strategic priorities can help NextGens navigate the organization through a maze of challenges that have not been in play for decades. NextGens expect to add value by keeping their finger on the pulse of the younger generation and their unique perspectives about ways to evolve in this digital age.
NextGen involvement and priorities

This year’s survey revealed that many US NextGens are actively involved in their family business and feel good about what’s expected from them.

- **83%** said they have a clear idea about their personal ambitions for a future role in the family business.
- **60%** participate as a sounding board on a broad range of issues.
- **72%** feel they have the opportunity to learn and grow within the family business.
- **53%** are clear on the steps they need to take to prepare for their future role in the family business.
- **64%** already fill leadership roles.
- **45%** have been given the opportunity to lead a specific change project or initiative within their business.

Juggling priorities

When asked about their priorities for the family business over the next two years, NextGens had to consider some difficult tradeoffs to identify and prioritize the elements that will produce the greatest impact on their family’s business—both now and in the future.

NextGens ranked business growth and talent management as their most important priorities, according to our survey. While their global peers ranked these priorities similarly, a much larger percentage of US NextGens deem these areas vital to moving forward.
Although US NextGens recognize the importance of environmental, social and governance considerations, ESG-related priorities rank at the bottom of the list when NextGens face the hard choice of what to focus on for the business. This is not the case for global peers, who rated environmental concerns, sustainability and impact much higher. Compared with a decade ago, more Americans say protecting the environment and dealing with global climate change should be top priorities.¹ That said, Americans still rank behind their global peers in environmental concerns.²

### Key US NextGen priorities over the next two years

<table>
<thead>
<tr>
<th>Priority</th>
<th>US All Priorities</th>
<th>US Top Two Priorities</th>
<th>Global All Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving business growth</td>
<td>45</td>
<td>75</td>
<td>65%</td>
</tr>
<tr>
<td>Talent management - attracting/retaining the best young talent</td>
<td>32</td>
<td>75</td>
<td>48%</td>
</tr>
<tr>
<td>Ensuring we offer the right products and services for today's customers</td>
<td>26</td>
<td>45</td>
<td>39%</td>
</tr>
<tr>
<td>Adopting new technologies</td>
<td>15</td>
<td>43</td>
<td>44%</td>
</tr>
<tr>
<td>Expanding into new sectors or markets</td>
<td>11</td>
<td>38</td>
<td>47%</td>
</tr>
<tr>
<td>Improving the working conditions/practices of our employees</td>
<td>6</td>
<td>34</td>
<td>31%</td>
</tr>
<tr>
<td>Reconsidering our asset allocation and investments</td>
<td>11</td>
<td>34</td>
<td>29%</td>
</tr>
<tr>
<td>Supporting local community via increased investment or business activity</td>
<td>9</td>
<td>34</td>
<td>19%</td>
</tr>
<tr>
<td>Investing in innovation and R&amp;D</td>
<td>17</td>
<td>32</td>
<td>34%</td>
</tr>
<tr>
<td>Upskilling the digital capabilities of our workforce</td>
<td>13</td>
<td>30</td>
<td>39%</td>
</tr>
<tr>
<td>Increasing our focus on privacy and cybersecurity</td>
<td>4</td>
<td>25</td>
<td>15%</td>
</tr>
<tr>
<td>Reducing the organization's environmental impact</td>
<td>2</td>
<td>21</td>
<td>24%</td>
</tr>
<tr>
<td>Increasing our focus on investments for sustainability and impact</td>
<td>4</td>
<td>19</td>
<td>31%</td>
</tr>
</tbody>
</table>

Q9a. From your own personal point of view, what would be your priorities for the company over the next two years?
Q9b. And which of those would be your TOP TWO options?


Base: all US respondents (n=53), all Global respondents (n=1036)

² Source: Pewarch, *Americans are Less Concerned*, September 2021
Key priority: Grow the family business

Three quarters of US NextGens see business growth as a key priority over the next two years (compared to 65% globally). The high percentage could be due to cultural differences in the US or because the US economy typically outperforms the rest of the world, but growth is often top of mind for family business leaders.

A focus on growth is necessary to meet or surpass US economic growth and when growth is not evident, the business may be more vulnerable to competitors. Family businesses have a special reason to feel the pressure to grow because as the size of the family increases, more revenue is required to support the members.

As the family expands through the generations, this growth needs to be in double digits. But growth alone is not enough. Success for family businesses is multidimensional.

Economic challenges to growth
The past decade has helped companies achieve year-over-year earnings growth thanks to low operating costs, lower regulation and taxes, and even lower interest rates. The pandemic disrupted this fast moving growth. While family businesses responded by investing in their digital presence and attending to their supply chain, growth may have been harder to achieve.

Now, the US economy is faced with higher interest rates, rising inflation, potentially increasing taxes and greater regulation. We already see more volatility in financial markets, growing global unrest, further disruptions in the global supply chains and increased levels of fiscal debt as shockwaves from the pandemic continue to play out internationally.

Source: PwC 2022 Global M&A Outlook Report, January 2022
Paths to growth
In light of these challenges, it’s vital that family businesses be strategic and focused on which paths to pursue. Our survey, along with additional data, shows that NextGens are focused on three key paths to growth.

1. Growth by products or services
45% of US NextGens see confirming that they have the right products and services for today’s customers as a key priority. Understanding the success of the individual pieces of a portfolio and creating a diversity of offerings can encourage existing customers to buy more and new customers to come aboard.

2. Growth by expanding into new markets
38% see expansion into new sectors/markets as a key priority. Whether expanding globally or into related industries, market expansion can help give family businesses a competitive advantage and grow the customer base.

3. Growth by acquisition or merger
45% of US family businesses cite pursuing strategic acquisitions or mergers as their top priority in the 2021 US Family Business Survey. Acquisitions are a popular way to drive growth and plug gaps. Global mergers and acquisitions hit new highs in 2021—breaking prior records by a long shot. The number of announced deals was up an unprecedented 24% from 2020, and this year looks promising as well.³

Family offices to manage growth complexity
As companies grow, the level of complexity tends to increase. Many families consider a family office as a way to manage this complexity, meet their financial needs, provide greater control over their wealth and handle their personal affairs. Typically, a family office is needed when the business gets more complex, when the family grows to include more generations, or when more formal governance becomes necessary.

In this year’s survey, 55% of US NextGens report having a family office:

- 40% have a family office in addition to the family business.
- 15% have a family office as the main business.
- 45% do not have a family office.
A family office typically operates like a company and there’s no one-size-fits-all approach. On average, a family office has anywhere from two to 20 employees, although some are much larger. It can be organized as a separate entity or it may be embedded in one of the family’s operating companies. Here are some examples:

**Multi-family office:** Great for families that aren’t too complex. This can be a cost-effective model.

**Virtual family office:** A viable option for globally diverse teams and families, this can be an extremely cost-effective model.

**Single family office:** Fully separate the family’s personal dealings from the business. Makes it easier to eventually sell or go public with their legacy operating entity.

**Hybrid family office:** Best of both worlds—outsource aspects of the family office while still maintaining an embedded family office for select functions.

### Types of Family Offices

<table>
<thead>
<tr>
<th>Outsourced to MFO</th>
<th>Embedded</th>
<th>Accounting SFO</th>
<th>Private Trust Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virtual family office</td>
<td>Investment SFO</td>
<td>Investment Complex</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Less complex</th>
<th>More complex</th>
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</thead>
</table>
US NextGen in focus

Sarah Lodge Tally, Director, Lodge Manufacturing Company

Founded in 1896, Lodge Cast Iron produces cast-iron cookware and operates two foundries out of South Pittsburg, Tennessee. Sarah Lodge Tally is one of Lodge Cast Iron’s fifth-generation family board members. She wasn’t sure if she would join the family business, but with a background in law and a Lodge shareholder for 20 years, she joined the board in 2017. As a NextGen leader, Sarah Lodge Tally is excited for the future of the family business.

An eye on growth

Being in business for more than 120 years, Lodge Cast Iron has seen ups and downs. Unlike most companies, Lodge benefits from economic downturns like the 2008 recession and the 2020 pandemic because people cook at home more often and are willing to invest in cast iron cookware. Over the years, the family has grown the business by professionalizing its management, upgrading and then expanding its foundry and releasing new products like seasoned cast iron, enamel cast iron and carbon steel products.

“The company was struggling when I was younger,” Sarah Lodge Tally recalled. “But thankfully, all of that is changing now for the younger generation. We’ve tripled our revenue in the last eight years. This is a fun and exciting time in our company's history. We’re currently discussing how to continue our growth trend. We’re considering new products, expanding to global locations, acquisitions – we’re looking at all opportunities for growth, not just organic growth.”

Attracting talent

Like most companies around the globe, Lodge has had difficulty recruiting and retaining talent. The company now has 600 employees, 200 of which joined in the last five years. To support its growth strategy, Lodge is focused on leveraging its family values to get workers in the door. The company is committed to its workers and the local community and prioritizes profit-sharing across all levels of employees.

“We’re an employer of choice in this area,” Lodge Tally explained. “We provide great benefits. But South Pittsburg is a small town and we have to recruit from nearby towns to get workers. Though our profit-sharing bonus is sometimes questioned, we know it’s a key reason that our employees are loyal to us for so long. It’s important to our family to be generous and inclusive.”

Commitment to ESG

From its inception, Lodge Cast Iron has maintained a strong sense of its mission, values and commitment to environmental, social and governance priorities. In 1994, Lodge was awarded the Tennessee Governor’s Award for excellence in hazardous waste reduction for replacing its coal-fire furnaces with an electro-magnetic induction melting system. The family’s commitment to social responsibility is demonstrated by the fact that there are many workers who have worked for Lodge for three generations.

“In terms of our impact on the environment, we don’t treat our skillets with chemicals and we have minimal waste in the production process,” Lodge Tally says. “When a flawed skillet comes off the line, it just goes back into the melting pot. Being early adopters of recycling has been a fun story to tell, but it’s been an easy path for us to follow since it also happens to be the most efficient way to run our business.”
Key priority: Attract and retain talent

Talent is tied with growth as the top concern for US NextGens. Three quarters see talent acquisition, management and retention as a key priority over the next two years (compared to 48% globally). This discrepancy is surprising given that a recent study shows that seven in ten employers worldwide struggle to hire skilled workers in high-demand sectors and 69% of employers globally struggle to find employees who possess the right mix of soft skills and technical expertise. US NextGens’ greater focus on talent is more aligned with these global concerns than the broader group.

Talent as a growth driver
Talent is often considered a growth driver and could be essential for family businesses focused on delivering their growth goals through their people. In fact, in PwC’s February 2022 Pulse Survey, 92% of private companies indicated that hiring and retaining talent is very important to their growth. Unfortunately, the pandemic and the current economic climate have created significant challenges for those pursuing this growth path—a phenomenon known as The Great Resignation.

Challenges and opportunities in The Great Resignation
The combination of the global pandemic and a strong economic climate led employees to leave their jobs in droves, with the US reaching a 20-year high quit rate in November 2021. Most workers who quit a job in 2021 cited low pay (63%), no opportunities for advancement (63%) and feeling disrespected at work (57%) as reasons why they quit.

There appears to be a generational discrepancy, with more younger workers mulling a job change in the next year. Among Gen Z and millennials (workers under age 41), 52% said they might switch jobs, while only 35% of the older Gen Xers and baby boomers said they were thinking of leaving their workplaces. NextGens might have a generational advantage in understanding the needs and motivations of the younger employees.

Family businesses historically do better at retention than non-family firms, but even their natural resistance to turnover will be tested by this competition for talent. Though the current environment has its challenges, it’s also a great opportunity to attract talent. Family businesses might have an advantage here because they’re generally seen as offering a superior working environment.

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4 Source: Manpower Group, The Talent Shortage, 2021
5 Source: Pew Research, The Great Resignation, March 2022
6 Source: Bloomberg, More Young Workers Are Considering Leaving Your Company, March 2022
7 Source: Family Business Magazine, The Great Resignation, November 2021
Cultivating trust with employees
Family businesses have a unique ability to win and retain employees by establishing trust. In a recent report, 67% of respondents said they trusted family businesses, compared to 58% for public companies, making family businesses the most trusted type of enterprise.⁸

When we surveyed US employees, 22% said they left a company because of trust issues and 19% chose to work at a family business because they trusted it highly.⁹ NextGens can work with the current generation to cultivate trust with employees. The survey indicated that workers have more trust in companies that have:

- Accountability
- Appropriate employee compensation
- A willingness to admit mistakes
- Clear communications
- Data protection
- ESG priorities (including ethics, compliance, sustainability, social responsibility, political issues)
- Transparency

NextGen engagement in talent acquisition
Seventy-one percent of US NextGens are now or will be personally actively engaged in talent acquisition and management. Growing up in the family business, NextGens generally have a deep understanding of its values and missions and can be stewards of leveraging the cultural identity of the business to cultivate trust with both current and potential employees. We suggest taking action around worker priorities.

- **Create transparency:** Be transparent about what your company stands for, how you support your people and how you champion diversity, equity and inclusion.
- **Communicate clearly:** It’s time to get the word out about what you stand for and how you’re running your business to support those strongly held values.
- **Remove the siloes:** Employees need to understand impacts across the business. Remove siloes that block the flow of information and make it confusing for employees as they look to create a consistent experience.
- **Be prepared for trust as you grow:** Convey to your employees that you have considered and planned for how your trust practices will need to evolve as you grow.
- **Embed ESG into your operations:** Look for opportunities to weave in ESG factors that can have a positive impact on your business and the outside world.

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⁸ Source: Edelman, 2020 [Edelman Trust Barometer; 2020](#)
⁹ Source: PwC, [Trust in US Business Survey; 2021](#)
ESG: Time to act

ESG is a hot topic and the trends driving the need for sustainable business practices are here for the long-term. Though ESG reporting isn’t required for private companies, savvy consumers and the younger generation that put more emphasis on sustainability factors tend to prioritize products and services from companies they perceive as acting responsibly, whether it’s the products and services they want to buy or the companies they want to work for.

In PwC’s 2021 Global Family Business Survey, we noted that family businesses have the potential, the resources, and the market position to lead sustainable transformations in their industries because they tend to be values-led with long-term investment horizons. This allows private companies to take a longer-term approach than their public company peers that are forced by market pressures to focus quarter to quarter. The primary goal of most family businesses is to protect a legacy for the generations to come. By embracing ESG issues, family businesses can increase their impact across sectors and geographies.

Mismatch on priority versus action
Though 60% of US Next Generations see the opportunity to lead the way in sustainable business practices, only 23% are currently engaged in reducing their company’s environmental impact. It’s possible that this discrepancy is caused by competing priorities that feel more urgent—like growing the business and managing talent.
This gap between priority and action reveals a significant opportunity for NextGens in the coming years. Those that turn ESG into a growth driver may be able to satisfy multiple top priorities in a holistic fashion. To make sure their sustainability values are woven into the growth strategy and operations of the organization, NextGens can take a number of steps.

- **Strategize:** Create an ESG business case to gain buy-in across the enterprise. By taking a holistic approach and being intentional and strategic around priorities, NextGens can help develop an ESG program that reflects the values of their family business while also being responsive to ongoing external pressures.

- **Assess:** Develop an understanding about which ESG factors are most important to company stakeholders. NextGens can use ESG reporting frameworks that are likely driving inquiries from those stakeholders and then look for opportunities to embed ESG objectives into the existing business strategy.

- **Prioritize:** Determine which ESG areas are most likely to drive organizational change. Prioritize those with short-, medium- and long-term goals and identify the resources that will be needed to achieve those goals.

- **Evaluate:** Examine current policies and determine whether they’re aligned with achieving the company’s goals. As ESG challenges tend to involve major shifts in policies and practices, families need an effective and efficient decision-making system.
US NextGen in focus

Jonathan Zucker, President and CEO, The InterTech Group, Inc.

The InterTech Group, founded in 1982 and based in Charleston, South Carolina, is a diversified holding company with operations and portfolio investments in multiple sectors. Jonathan Zucker is a second-generation President and CEO. He joined the family company in 2005 as director of business development after working in software consulting. Along with his role at The InterTech Group, Zucker serves as Board Chair for the South Carolina Aquarium, Chairman of Z-Man Fishing Products, and an advisory member of the University of Florida's IFAS Nature Coast Biological Station, which is dedicated to enhancing the conservation and sustainability of natural resources. He hopes The InterTech Group can help him make the world a better place.

A foundation of ESG

Founded by his Jewish immigrant father, Jerry Zucker, the Zucker family and The InterTech Group have always understood the critical role nonprofits and service organizations play in global society. And while The InterTech Group is a for-profit company, it's also mission-driven by important family values that Jonathan Zucker hopes to instill in future generations of family leadership.

“My father believed that we have an obligation to leave the world better than the way we found it,” Jonathan Zucker said. “These days, most of our investments are tied to the betterment of the world and we actively seek opportunities to promote diversity, equity, and inclusion. For instance, now we are proactively seeking companies that are founded or led by females and minorities with the goal of creating opportunities for these groups and to very intentionally work to close the Diversity, Equity and Inclusion gap.”

Growth through governance

While The InterTech Group's founder got his start investing in industrial manufacturing, the company has branched out into aerospace products, specialty chemicals, polymers, retail, real estate, financial services, entertainment, leisure and even a fishing company, Z-Man Fishing Products.

“We have a very diverse portfolio, and our team has a lot of talent and experience to realize value,” Zucker explained. “Right now, our key focus for growth is through family governance and creating a sustainable business model that will continue to drive our values. We are currently determining what systems we need to put in place to help us grow the company for future generations as well as promote continued harmony within the family.”

Cultivating talent

The InterTech Group tries to take a hands-off approach toward hiring for the companies it has invested in—but when there are gaps that need filling, the company relies on its relationships within the higher education community to produce more talent.

“Recruiting can be difficult, but our family values play a key role in helping us attract like-minded people,” says Zucker. “We typically reimburse for education and are currently supporting several people through college and graduate school. We believe that if our team members advance themselves beyond their current role, we have other ways to apply their skills and keep them interested in what we’re doing. Though talent acquisition and retention can be a challenge, I also see it as an opportunity to help people.”
Closing

This is a critical time for NextGens to have a voice in the strategic priorities of the family business. They can bring value by helping the current generation of leaders navigate challenges like economic uncertainty, political unrest, technological disruptions and the constant change that is now a factor in our world. They do this with their insights into modern day concerns like sustainability and their familiarity with emerging trends and technologies. Including their viewpoints in the family business will be key to accomplishing growth goals and attracting the talent. The actions they take will help move NextGens into the leadership roles they aspire to achieve.
Survey details

PwC’s NextGen Survey focused on next-generation members in family businesses to better understand what NextGens are thinking about the key issues of the day and what role they are playing or want to play.

Interviews were conducted between October and December 2021. Demographics of respondents include:

### Gender
- Male: 60
- Female: 40

### NextGen generation
- 2nd generation: 28
- 3rd generation: 32
- 4th generation: 28
- 5th+ generation: 9
- Don't know: 2

### Sector
- Industrial manufacturing and automotive: 38
- Consumer markets: 21
- Financial services: 15
- Energy, utilities, resources: 4
- Technology, media, telecomms: 6
- Health industries: 3
- Agriculture and farming: 6
- Family office investments: 2
- Other: 2

### Age
- 20 or under: 2
- 21-26: 2
- 27-37: 36
- 38 or older: 60
- Prefer not to say: 2

### Current job role/position
- Shareholder/beneficiary: 72
- Leadership role: 64
- Governance role: 62
- Employee/intern: 40
- Intrapreneur: 15
- Entrepreneur: 6
- Other: 2
- Not engaged yet: 2

### Sales (US$)
- Less than $20m: 17
- $20m-50m: 9
- $51-100m: 11
- $101-500m: 29
- $501m-$1bn: 17
- More than $1bn: 17
Get in touch

Jonathan Flack
Private, Family Enterprises Leader
PwC US
jonathan.flack@pwc.com

Renee Klein
Partner, NextGen Program Leader
PwC US
renee.f.klein@pwc.com