

News Release

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The new generation of family business leaders is more aggressive. They want to change business strategies and innovate

Prague, 29 June 2016 – More than half (56%) of the members of the new generation want to change the business strategy of their family business as soon as they acquire a managing position. They find company growth, innovation and a greater extent of control over risk factors to be key. Although they also want to choose a different management approach compared to the previous generation, their priorities remain the same – maintaining the family character of the business and preserving traditional values. However, 40% of successors are not against involving external investors. These are the conclusions of a survey by Deloitte which examined the new generation's perspective on family businesses in 92 companies in Europe, including the Czech Republic, the Middle East and Africa.

Half of the members of the new generation are determined to change the business strategy as soon as they are in management, a third will leave it unchanged. They will differ from the previous generation in their management approach and they will be more willing to risk – 80% of respondents stated that their strategy will be more aggressive.

"The change in strategy is related to the necessity to expand to other geographical markets and broaden the portfolio of products and services, which requires a different method of management. Moreover, companies have to react to the quickly changing economic and business environment. The task for the new generation will be to find balance between achieving business goals such as growth, innovation and hiring employees, and family in terms of preserving traditional values, while maintaining the continuity of a family business," remarks Jakub Hájek, lawyer at Ambruz & Dark Deloitte Legal who specialises in family businesses.

Innovations are indispensable, but not the number 1 priority

It is precisely investments in expansion to new markets, innovations and technologies that will be a priority for most companies; 76% of respondents list innovations as one of three priorities. The coming generation will, however, face a challenge in convincing their family members about the significance of their plans. While more than 61% of family members realise that the company cannot do without newness, only 40% are willing to undergo the related risks. In spite of that, more than half of them say that they innovate their company faster than the competition.

"The primary reasons to start innovating include the desire to distinguish the company from the competition and maintain business continuity. It makes sense; family businesses can innovate and implement changes faster because they are not driven by short-term interests

of external investors and capital markets like some larger companies are. The funding of these innovations makes more extensive use of both grants and tax relief for research and development," says Luděk Hanáček, partner in Deloitte's Tax and Legal function, in charge of the area of research and development.

Companies want to use grants and incentives more

Deloitte's research further showed that aside from their own capital, most family companies also use bank loans, grants and incentives for their investments.

"Small family businesses are usually not aware of the possibility to draw funds from grants or incentives, since they often think that they are intended only for large companies which use them to finance expensive projects. However, using incentives or grants is in fact possible regardless of the size of the company; it is only necessary to obtain specialised advisory help to orient yourself in the offer, as there is an infinite number of offers and it can be difficult for a layperson to understand what needs to be done to get them," Luděk Hanáček adds.

One of the main challenges for the next generation leaders is to maintain the family character of the company as well as family values, and pass them on to the next generation.

About the Deloitte Next Generation 2016 study

The survey of 92 European companies from various industries examined the perspective of the new generation on family business. It focused on economic topics, growth and innovation and investigated to what extent the companies concern themselves with the question of succession. The majority of the respondents belonged to the generation managing the company as successors.

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