

## Study: NextGens are eager to advance

*A PwC survey of nearly 1,000 NextGens from around the world found they are highly ambitious.*

BY BARBARA SPECTOR

A global survey of more than 950 NextGen family business members by professional-services firm PwC found the rising generation is eager to ascend to leadership roles and confident in their abilities.

Nearly two-thirds of respondents (64%) said they can add “significant value” to ensure their family firm’s strategy is fit for the digital age. More than six of 10 (62%) said their potential to professionalize their company’s management practices could add significant value.

Yet about half have not yet had the chance to step up. Only 48% said they’ve been given the responsibility to lead a change initiative or project in their organization.

“This is a group that is very, very confident in their abilities, even maybe overconfident in some regard,” says Jonathan Flack, U.S. family enterprises leader at PwC. “They seem to be eager to take control of the helm.”

### Big ideas

PwC’s online survey, conducted between June 10 and Sept. 13, 2019, drew responses from 956 NextGens across five continents and 11 industries. More than half (51%) were between the ages of 25 and 34, 36% were 35 and older, 10% were ages 21 to 24, 3% were under 31 and 1% did not provide their age. The majority (63%) were male.

Nearly half (49%) were from the second generation, 26% were from the third generation and 6% were from the fifth generation or above.

Of the 956 respondents, 753 provided information on their companies’ annual revenues. More than half of those (52%) reported revenues below US\$50 million. Nearly a third (31%) are from firms with revenues between US\$50 million and US\$250 million, 9% between US\$250 million and US\$500 million, and 8% over US\$500 million.

Just 36% of the NextGens said they are used as a sounding board. This percentage was markedly higher (59%) among survey participants in the Americas.

Solicitation of a rising-generation member’s opinion on business matters could be viewed as an indicator that senior members of the organization consider the NextGen ready to lead, Flack says.

A notable minority indicated they do not have top management’s ear. One in five of the global respondents (21%) agreed with the statement, “I feel I need to prove myself before I can put forward my ideas for change.” And 10% of respondents felt that “I make suggestions, but they are hardly ever listened to.”

### Self-assessment and self-awareness

The NextGens said the skills that are most essential for their family businesses are problem solving and strategic thinking (cited by 72% of survey participants), leadership (71%) and financial management (57%). These are the same skills that respondents say are their strongest. On a competency scale of 0 (low) to 6 (high), respondents rated their skill levels on average as 4.48 (problem solving and strategic thinking), 4.28 (leadership) and 3.83 (strategic thinking).

The survey population apparently recognizes that they are the heirs apparent. Two-thirds said competition with non-family members is not a constraint to their progress, 60% said competition with other family members is not an issue, and 57% said they don't lack opportunities to take roles they aspire to.

"They recognize that they have a piece of privilege here," says PwC's Flack.

### **Skill building**

The majority (61%) of those surveyed said skills development would help them add more value to their family business. Regarding obstacles to their progress, 64% cited "level of expertise" (named as a major constraint by 22% and a minor constraint by 42%), 59% noted "level of experience within the family business" (a major constraint for 19% and a minor constraint for 40%) and 54% identified "self-doubt" (a major constraint for 19% and a minor constraint for 35%). About a fifth of respondents (19%) said "level of experience outside the family business" was a major constraint.

"All of these speak to experience in some form," Flack says. "I think they probably feel that if they had more experience, they'd become more confident."

Flack says the "level of experience" and "level of

expertise" responses might reflect feedback from elders or managers: "You need more experience," or "You worked outside the business for a while; you really need a few more years of experience within our business," or "You need to leave the business and get outside experience, and then come back."

### **Transparency is key**

Flack says it's essential for family business leaders to communicate to NextGens the criteria they must meet in order to advance within the organization. In the absence of clearly outlined expectations, NextGens will become frustrated.

"I think transparency is the most critical piece, and it really should start with those individuals from a very young age," Flack says.

If NextGens have been working in the family firm for several years and have not yet had a discussion about requirements for advancement to the next level, "that's really, I think, emblematic of a lack of communication."

A fourth-generation survey participant from Brazil put it succinctly: "Dear current leaders: We are here to work hard. We will not ruin the business. We will make mistakes, but it is the only way to learn. Give us room to try for real." **FB**