



***KPMG and Family Business Australia  
Survey of Family Business Needs  
~ Synopsis ~***

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# *KPMG and Family Business Australia*

## *Survey of Family Business Needs: Synopsis*

This national survey intended to identify issues and trends that were considered important to the success of family business. The survey was fully endorsed and supported by the Family Business Australia (FBA) who considered it an excellent vehicle to canvas members and non-members and to update their information database. The survey was managed by staff at Deakin University and had financial support from KPMG. The following are some general, and initial, observations.

### *Methodology*

The survey was distributed to around 4,900 family businesses, the list of which was provided by FBA. This list included both members and non-members of the association. There were 485 completed questionnaires and 107 returned to sender unopened.

### *General Response*

Although a more detailed analysis is to come, a few observations may be of interest:

- **Background:** the majority of respondents were Australian born (84%) between the ages of 50 to 59 (30%) with 31% having a university degree. Thirty-five percent were from the first generation and 31% from the second. Notably, as a positive reflection as to the longevity of family firms, 7% are representative from the fourth generation and 7% are representative from the fifth or more generations of family businesses.

Respondents identified dominant 'ownership' by the family (88%) as being characteristic of their family business as distinct from dominant 'management' by family (68%). Also, 89% stated that a de facto partner was not included in their definition of 'family'.

- **Business Details:** The majority of businesses came from Wholesale and Retail Trade (38%) and Manufacturing and Distribution (38%). The majority had increased the number of employees in the past year (52%) but 45% intended to increase their employees over the next 12 months. Turnover for 34% was between \$1m to \$5m per annum. Significantly, 66% of participants serve the local market with only 34% venturing to international shores.

The majority established the business themselves (83%) in order to 'be their own boss' (32%).

- **Management Details:** Approximately 60% have a current Board of Directors with 25% having two family members on the Board. Although 40% have non-family as 'high level managers', 38% have family members only on their Board.

Only 20% undertake formal performance appraisals for family members whereas 37% undertake such appraisals for non-family members of the business.

- **Family involvement in the business:** Forty-one percent had two generations involved in the business and 29% had the first generation holding the most senior management position (45% as CEO).

### *Significant Response*

- **Business Concerns:** Of highest concern to respondents is 'balancing short-term and long-term business decisions' (5.55) with 'maintaining the loyalty of non-family members' being the second highest business concern (5.34). 'Including non-family members on the Board of Directors' (2.94) and 'finding outside buyers for the business' was of least concern (2.51).
- **Family concerns:** 'Balancing family concerns and business interests' was definitely of paramount concern (5.59) with 'compensating family members involved in the business' coming a long way second (5.08) on their list. 'Buying out family members not involved in the business' was of least concern (2.32).

- **Succession Issues:** Approximately 57% of respondents were going to retire within ten years but 68% had not chosen a successor. Although 33% consciously intended to pass on the business to the next generation, 16% intended to sell the business.
- **Challenges:** Increasing profits was definitely the greatest business challenge (6.09) with ‘increasing customer base/sales/turnover as second most important challenge. ‘International competition’ (2.92) was the least important for family businesses.
- **Level of Professionalism:** Thirty four percent do not have a workable Family Council and 33% do not have a written Family Constitution. A quarter of the respondents did not have a written and up-to-date succession plan for key business roles. Where evidence did exist, family business considered ‘financial procedures’ as the most important (5.83) with regular performance evaluation from a financial perspective also very important (5.53). Having a written Family Constitution, even if they had one, was considered as least important (1.44).

### *Sample Quotes from Open-Ended Questions*

- **Building/maintaining harmony in the business:** ‘Maintaining harmony between family members with different views’; ‘Not letting family differences interfere with business decisions’; ‘Working happily together’; ‘People being drama queens’; ‘Family not just blood’
- **Succession:** ‘Training family to understand, appreciate and participate’; ‘Turning potential willing successors into able successors’. BUT, younger generation lacking enthusiasm, entrepreneurship/commitment – ‘Entrepreneurship, which the business was founded on is lacking within 2<sup>nd</sup> generation family members’.
- **Founder retaining a role past retirement:** ‘Allowing the founder to continue to work in the bus. as long as I’m enjoying it & adding value’.
- **Founder not leaving:** ‘1<sup>st</sup> generation well past retirement yet active in day-to-day operations of bus. preventing new people from being hired’.
- **Family expansion:** ‘Little thought given to complications brought into the business through the family expanding’. ‘Others steal our ideas’
- **Lack of government support:** ‘over taxed and over regulated’
- **Professionalism whilst retaining family values/flavour:** ‘Creating a professional business whilst maintaining family values’; ‘Managing business to keep focussed on business issues without personality or family roles interfering’.
- **Roles/input of spouses in business:** ‘Keep wives out of the day-to-day operations’; ‘Spouses of family members should have no influence or rights in affairs of the business’.
- **Roles of family not active within the business need to be clearly defined and maintain good communication:** ‘Rules for the family members not involved in the business so that they know its operating structures & returns’.
- **Work life balance:** ‘Having more time for golf’; ‘Starvation of time’; ‘Enjoy, enjoy’

## *Respondent Background*

### 1. Age of respondents:

20-29	3.7%
30-39	15.5%
40-49	24.6%
50-59	30.2%
60-69	20.5%
70+	4.5%

### 2. Country of birth:

Australia	84.2%
Other	5.8%

### 3. Generations represented:

First	35.1%
Second	30.8%
Third	19.1%
Fourth	7.6%
Fifth or more	7.4%
No response	1.7%

### 4. Highest level of education:

Incomplete secondary	8.6%
Secondary	17.5%
Post-secondary	12.2%
Trade qualification	16.4%
University degree	30.7%
Post-graduate	14.3%
No response	0.4%

### 5. Marital status:

Single	5.3%
Married	84.0%
Divorced	6.0%
Other	4.1%
No response	0.6%

## *What Family Business Means*

### 6. Characteristics that identify a family business:

	Yes	No
Dominant ownership by family	84.0%	15.8%
Dominant management by family	52.2%	47.5%
Family involvement	50.5%	49.5%
Potential generational transfer	43.1%	56.5%

## 7. Characteristics that identify MY business as a family business:

	Yes	No
Dominant ownership by family	87.8%	11.9%
Dominant management by family	67.6%	32.2%
Family involvement	57.6%	42.2%
Potential generational transfer	45.8%	53.9%

## 8. Definition of 'family':

	Yes	No
Spouse	74.0%	25.8%
De facto	10.9%	88.9%
Parents	57.4%	42.4%
Grandparents	27.7%	72.1%
Siblings	75.7%	24.1%
Cousins	21.3%	78.3%
In-laws	22.6%	77.0%
Relatives of in-laws	4.3%	95.3%
Nieces and nephews	24.1%	75.5%
Aunts and uncles	16.4%	83.4%
Step-relatives (eg. stepfather/son)	8.3%	91.5%

## *Business Characteristics*

## 9. Location of Head Office:

NSW	31.9%
SA	23.9%
VIC	20.9%
WA	11.6%
QLD	4.3%
TAS	5.7%
ACT	1.5%
NT	0.2%

## 10. Business sector:

Wholesale and Retail Trade	37.5%
Manufacturing and Distribution	38.4%
Agriculture and Fisheries	9.2%
Construction	7.5%
Property and Real Estate	7.5%
Transportation	6.6%
Business Services	5.8%
Professional Services	4.9%
Hospitality and Entertainment	4.7%
Finance	3.0%
Hi technology Industries	2.3%
Telecommunications	1.3%
Resource Industries	0.9%
Education	0.9%
Other	9.2%

**11. Markets served:**

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Local	65.2%
State based	55.2%
National	59.2%
International	33.7%

**12. Approximate annual business turnover:**

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Less than \$500K	9.6%
\$500k to \$1 million	11.7%
\$1 million to \$5 million	33.7%
\$5 million to \$10 million	15.4%
\$10 million to \$20 million	10.4%
\$20 million to \$30 million	2.6%
\$30 million to \$50 million	5.1%
\$50 million to \$100million	4.9%
More than \$100 million	4.3%
No response	2.3%

**13. Number of full time employees:**

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None	3.0%
Less than 5	16.3%
5-9	18.5%
10-49	37.2%
50-250	18.7%
250 and over	6.2%
No response	0.9%

**14. Number of part time and casual employees:**

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None	13.6%
Less than 5	43.6%
5-9	15.3%
10-49	21.0%
50-250	5.8%
250 and over	0.6%
No response	1.3%

**15. Increased the number of employees in the past 12 months:**

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Yes	51.6%
No	48.4%
If yes, how many:	
0	57.3%
1-5	30.7%
6-10	5.1%
11-15	2.1%
16+	4.8%

**16. Intention to increase the number of employees in the next 12 months:**

Yes	44.8%
No	53.7%
If yes, how many:	
0	68.7%
1-5	24.8%
6-10	2.7%
11-15	1.7%
16+	2.1%

***Business Background*****17. Type of business:**

Company	76.1%
Partnership	7.7%
Trust	13.6%
Sole proprietor	1.9%
Other	0.6%

**18. Origin of business:**

Established the business	83.4%
Took over an existing business	16.2%
Other	0.4%

**19. Reasons for commencing own business:**

To be own boss – independence	32.4%
Financial reasons – to make money	10.0%
Commercial opportunity – develop an idea or skill	8.3%
Providing future for family	9.2%
Continue family tradition	7.0%
Gap in market	3.0%
Frustration in previous employment	3.0%
Difficulty finding employment	1.3%
Other	9.6%
N/A (I did not start or take over a business)	16.2%

***Business Management*****20. Undertake formal performance appraisals for family members:**

Yes	19.8%
No	44.6%
No response	35.6%

**21. Undertake formal performance appraisals for non-family members:**

Yes	37.1%
No	26.9%
No response	36.0%

**22. Have a current Board of Directors:**

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Yes	59.7%
No	38.8%
No response	1.5%

**23. Number of family members on the Board of Directors:**

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None	2.1%
One	8.7%
Two	25.2%
Three	13.6%
Four	7.5%
Five or more	5.3%
No response	37.5%

**24. Number of non-family members on the Board of Directors:**

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None	37.5%
One	11.3%
Two	6.6%
Three	3.2%
Four	2.1%
Five or more	1.5%
No response	37.7%

**25. Frequency of Board of Directors meetings:**

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Monthly	21.1%
Three-monthly	14.9%
Six-monthly	3.6%
Annually	10.7%
Other	1.3%
Ad-hoc	8.7%
Not relevant	2.6%
No response	37.1%

**26. High level managers who are non-family members:**

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Yes	40.1%
No	23.9%
No response	36.0%

***Family Involvement*****27. Number of generations involved in the business:**

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One	16.2%
Two	40.9%
Three	7.7%
Four	2.1%
Five or more	1.3%
No response	31.8%



**28. Generation holding the most senior management position in the business:**

None	3.0%
First	28.4%
Second	19.8%
Third	11.1%
Fourth	3.2%
Fifth or more	2.1%
No response	32.4%

**29. Most senior position held by a family member:**

CEO	45.2%
General manager	33.4%
Director	27.1%
Owner/manager	13.9%
Chairperson of Board	7.5%
Member of Board	0.2%
Other	2.3%

**30. Generational involvement in the business:**

Generation	Management	Non-management	Not involved	Not relevant	Missing
First	38.4%	8.5%	7.2%	9.4%	36.5%
Second	41.8%	13.6%	8.5%	7.0%	29.1%
Third	16.2%	4.3%	6.4%	9.0%	64.1%
Fourth	6.0%	4.1%	4.5%	12.2%	73.2%
Fifth or more	3.8%	1.7%	3.4%	11.5%	79.6%

***Family Business Concerns*****31. Business Issues:**

	Mean*	Std. Dev.	Not Applicable	No Response
Balancing short-term and long-term business decisions	5.55	1.549	1.1%	2.1%
Maintaining loyalty of non-family members	5.34	2.170	5.8%	2.1%
Availability of willing and able successors	4.87	2.228	6.2%	2.6%
Determining the financial value of the business	4.79	2.187	5.5%	3.0%
Getting assistance from outsiders to resolve business problems	4.55	1.993	3.0%	2.8%
Involving non-family managers in making strategic decisions	4.28	2.365	8.7%	2.3%
Changing from family management to professional management	3.33	2.453	16.2%	2.1%
Defining the role of the board of directors	3.30	2.481	18.1%	2.8%
Setting up a workable board of directors	3.27	2.488	17.7%	2.3%
Including non-family members in the board of directors	2.94	2.484	21.3%	2.3%
Finding an outside buyer for the business	2.51	2.299	20.0%	3.0%

\* 1 is not important, 7 is very important

**32. Family issues:**

	Mean*	Std. Dev.	Not Applicable	No Response
Balancing family concerns and business interests	5.59	1.665	2.8%	1.7%
Compensating family members involved in the business	5.08	1.976	4.7%	2.1%
Maintaining family control of the business	5.05	2.232	6.8%	2.1%
Preparing and training a successor	4.78	2.330	7.5%	2.3%
Selecting a successor	4.59	2.412	8.1%	3.2%
Resolving conflicts among family members	4.40	2.439	9.0%	2.1%
Informing family of business issues	4.31	2.250	6.6%	2.8%
Equity among family members, including female members	4.09	2.525	11.3%	2.8%
Maintaining a role for the founder in the business after retirement	3.91	2.481	11.1%	3.0%
Formalising the family role	3.84	2.456	11.5%	2.8%
Selecting family members for positions in the business	3.82	2.258	10.7%	1.7%
Distributing ownership among family members	3.74	2.361	11.1%	2.3%
Dealing with rivalry among family members	3.33	2.513	15.6%	2.3%
Setting up a family foundation	3.02	2.326	16.2%	2.6%
Developing a family constitution	2.96	2.486	19.2%	3.8%
Dealing with rivalry among potential successors in family	2.93	2.465	19.2%	2.3%
Buying out family members not involved in the business	2.32	2.347	26.7%	2.3%

\* 1 is not important, 7 is very important

**Succession Concerns****33. Years to retirement:**

0-5 years	29.6%
5-10 years	26.7%
11-15 years	14.5%
15 years+	28.4%
No response	0.9%

**34. Chosen a successor:**

Yes	30.5%
No	68.2%
No response	1.3%

**35. Designated successor:**

Family member	19.4%
Non-family member	6.4%
No response	74.2%

**36. Have a formal succession plan:**

Yes	17.7%
No	33.5%
No response	48.8%

**37. Intention to develop a formal succession plan:**

Yes	53.9%
No	16.6%
No response	29.4%

**38. Exit plan:**

Pass on the business to the next generation	33.0%
Undecided	27.5%
Sell business on the open market	15.8%
Sell business to employees or management	7.0%
Pass on the business to other family member(s)	6.0%
Close the business	1.5%
No response	19.2%

<b><i>Planning Concerns</i></b>
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**39. Business challenges:**

	Mean*	Std. Dev	Not Applicable	No Response
Increasing profits	6.09	1.154	0.2%	2.8%
Increase customer base/sales/turnover	5.97	1.330	0.4%	2.6%
Business growth	5.72	1.343	0.0%	3.4%
Business/strategic planning	5.53	1.545	0.4%	3.0%
Balancing family and business	5.01	1.915	2.8%	2.8%
Operational issues	4.83	1.690	1.7%	3.6%
Regulatory requirements	4.79	1.957	2.1%	3.6%
Move into new markets	4.77	1.835	2.6%	4.5%
Tax issues	4.55	1.995	2.3%	2.8%
Retirement planning	4.28	2.061	2.6%	3.0%
Succession planning	4.17	2.213	5.5%	3.0%
Family issues	3.91	2.103	3.8%	3.2%
Estate planning	3.83	2.232	6.6%	3.6%
Change business direction	3.54	1.945	6.2%	3.4%
Transferring ownership	3.50	2.282	9.4%	3.4%
International competition	2.92	2.444	16.6%	4.5%
Other	0.66	1.503	9.8%	86.1%

\* 1 is low relevance, 7 is high relevance

#### 40. Level of professionalisation:

The degree to which...	Mean*	Std. Dev.	None	No Response
... the family has regular Family Assemblies	2.98	2.262	16.0%	1.7%
... the family has a current written Family Constitution	1.44	1.776	32.6%	2.1%
... the business has regular Shareholder Assemblies	2.28	2.287	28.4%	1.9%
... the business has a functional Board of Directors/ Governing Body	3.56	2.699	19.0%	1.9%
... the business has a workable Family Council	1.72	1.996	34.3%	1.9%
... the business has an effective Executive Management team	5.07	2.205	8.1%	1.9%
... the business has written annual plans for each function	3.47	2.510	15.8%	2.1%
... the business has a written annual business plan	3.89	2.573	13.4%	1.9%
... the business has a written and up-to-date succession plan for key roles	2.19	2.082	24.9%	2.1%
... family members have written and up to-date estate plans	2.46	2.317	23.2%	3.4%
... the business has current process maps and procedures across all aspects of the value-chain	2.95	2.384	19.8%	3.6%
... the business seeks external information (customer, competitive)	5.00	1.886	2.1%	1.7%
... the business has a current technology maintenance and contingency plan	4.40	2.278	10.7%	2.8%
... the business has current financial procedures	5.83	1.476	0.9%	2.1%
... the business has regular performance evaluation from a financial perspective	5.53	1.785	1.9%	1.5%
... the business has regular performance evaluation from a customer perspective	4.25	2.112	5.3%	2.1%
... the business has regular performance evaluation from an employee perspective	3.88	2.145	9.0%	1.9%
... the business has formal human resource procedures	4.45	2.343	9.2%	1.9%
... the business has articulated family values (as espoused by current family members)	3.62	2.471	15.8%	2.8%
... the business has role and competency profiles for each position	3.84	2.398	13.6%	2.3%
... the business has cross/multi-skilling of employees	5.19	1.827	4.3%	2.6%
... the business has up-to-date business policies for each function or division	4.11	2.323	11.7%	3.0%

\* 1 is low presence, 7 is high presence