



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

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Survey of Family Business Needs: Synopsis

This second 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 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.

Method

The questionnaire was distributed by postal mail in May 2006 to 4,298 family businesses, the list of which was provided by FBA. This list included both members and non-members of the association. Approximately 162 questionnaires were returned to the sender unopened. After a follow-up by telephone of the "non-deliverable" questionnaires, there were 373 completed questionnaires.

Demographic Data and Business Details

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

- 64 per cent of respondents described their position as 'Director' or 'Managing Director'.
- Of the respondents, 44 per cent were members of FBA.

Respondent's background:

- Australian born (84%) between the ages of 50 to 59 (33%) with 27% having a university degree
- 39% of respondents were first generation and 33% from the second
- 73% spent between 40 – 69 hours working in the business

Family involvement in the business:

- 65% had two generations involved in the business; 56% had one generation
- 93% identified dominant 'ownership' by the family as being characteristic of their family business as distinct from dominant 'management' by family (67%)
- 93% stated that a de-facto partner was not included as 'family'
- Gender involved in the business: Male (2.4); Female (1.7)
- Positions held by family members: 'Director' (Male 66% Female 39%); 'CEO' (Male 62% Female 6%)
- Position held by non-family members: 'Director' (Male 10% Female 2%); 'CEO' (Male 5% Female 0%)
- Composition of the Board: 'Executive Board Members' (Family 2.5 Non-family 1.3); 'Non-Executive Board Members' (Family 2.5 Non-family 1.8)

Sample Quotes from Open-Ended Questions

- **Generational transfer:** "2nd generation builds on first! Usually stay on too long leaving the 3rd generation to either sell or salvage what's left".
- "We have a practice of buying out family members not in the business with each new generation."
- **Survival:** "In business 30 yrs next yr - competition from China, India, Korea wiping out many SME in SA. As we see it we will be hanging in as long as we can but can see no future for our children in the industry".
- **Regulatory burden:** "Cost of compliance - business, production accounting - are big costs to family business a lot of which has been imposed from big listed companies doing the wrong thing by shareholders and the community".
- **Family issues:** "The biggest issue I face is trying to keep negative family problems out of the workplace. There must be a formal process of resolution so that you can move on and enjoy your work without stress".
- **Limitations of family ownership:** "Family ownership/management can limit ability of business through lack of skills, perspectives and experience".
- **Valuing the business:** "Where do we find a formula to value a family business? Building + Land is no use".
- **Experience of family business:** "It's a long hard slog with little rewards" and "The process [of evaluation] is ongoing...circumstances constantly change – which makes it fun".
- **Value of the Survey:** "Very good questions makes you think about what we haven't got in place".

A more detailed analysis will be available at the end of September which will include cross correlations and further elaboration on issues that both FBA and KPMG wish to be considered.

Even at this early stage, the survey has provided valuable information which can be utilised by FBA in improving services to family businesses.

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Respondent's Background

1. Hours worked in Business:

Hours	Percentage
10 - 39	19
40 - 69	73
70 or more	8

2. Age of respondents:

Age group	Percentage
20 - 29	2
30 - 39	15
40 - 49	25
50 - 59	33
60 - 69	21
70+	4

3. Country of birth:

Country	Percentage
Australia	84
Other	6

4. Generation of respondent:

Generation	Percentage
First	39
Second	33
Third	16
Fourth	7
Fifth or more	5
None	0

5. Highest level of education:

Education level	Percentage
Incomplete secondary	10
Secondary	21
Post-secondary	12
Trade qualification	12
University degree	27
Post-graduate	18

Business Details

6. Location of Head Office:

State	Percentage
NSW/ACT	31
VIC	28
SA	20
WA	10
QLD	6
TAS	5
NT	0

7. Business sector:

Sector	Percentage
Manufacturing	32
Wholesale	21
Retail	21
Construction	10
Agriculture	8
Distribution	8
Property and Real Estate	6
Business Services	6
Professional Services	6
Transportation	5
Hospitality and Entertainment	5
Finance	3
Hi-technology Industries	3
Telecommunications	2
Fisheries	1
Resource Industries	1
Education	1
Other	4

8. Average Percentage of sales from each market:

Market	Percentage
Local	36
State-based	27
National	31
International	6

9. Number of employees:

Employees	Full-time	Part-time
	Percentage	
None	4	11
1 - 4	18	47
5 - 19	36	26
20 - 199	34	14
200 or more	8	2
Don't know	0	0

10. Changes to the number of employees in the past 12 months:

Changes past 12 months	Full-time	Part-time
	Percentage	
Increased employees	42	42
Decreased employees	19	12
No change occurred	39	46
Don't know	0	0

10a. Extent of increase in the number of employees in the past 12 months:

Increase past 12 months	Full-time	Part-time
	Percentage	
1 - 4 employees	67	74
5 - 9 employees	13	13
10 - 15 employees	10	3
15 or more employees	10	10

10b. Extent of decrease in the number of employees in the past 12 months:

Decrease past 12 months	Full-time	Part-time
	Percentage	
1 - 4 employees	78	67
5 - 9 employees	6	23
10 - 15 employees	7	7
15 or more employees	9	3

11. Planned changes to the number of employees in the next 12 months:

Plans for next 12 months	Full-time	Part-time
	Percentage	
Increased employees	39	30
Decreased employees	8	7
No change occurred	47	57
Don't know	6	6

11a. Extent of increase in the number of employees planned in next 12 months:

Increase for next 12 months	Full-time	Part-time
	Percentage	
1 - 4 employees	76	73
5 - 9 employees	13	13
10 - 15 employees	5	8
15 or more employees	6	6

11b. Extent of decrease in the number of employees planned in next 12 months:

Decrease for next 12 months	Full-time	Part-time
	Percentage	
1 - 4 employees	68	61
5 - 9 employees	11	23
10 - 15 employees	14	8
15 or more employees	7	8

12. Approximate annual business turnover:

Turnover	Percentage
Less than \$500K	9
\$500k to less than \$1 million	12
\$1 million to less than \$5 million	32
\$5 million to less than \$10 million	17
\$10 million to less than \$20 million	10
\$20 million to less than \$30 million	5
\$30 million to less than \$50 million	6
\$50 million to less than \$100million	3
More than \$100 million	6

13. Type of business:

Business type	Percentage
Private	98
Public	2

14. Type of private business:

Type private business	Percentage
Propriety Limited Company	77
Trust	12
Family Partnership	7
Sole Proprietorship	3
Other Partnership	1
Other	0

15. Origin of business:

Business origin	Percentage
Established the business	91
Took over existing business	18
Other	1

16. Reasons for commencing own business:

Reasons for commencing	Percentage
To be own boss – independence	59
Financial reasons – to make money	57
Providing future for family	51
Commercial opportunity – develop and idea or skill	33
Gap in market	26
Frustration in previous employment	20
Continue family tradition	11
Difficulty of finding employment	8
Other	2

17. Type of superannuation plans:

Superannuation	Family	Non-family
	Percentage	
Managed fund	46	91
Self-managed fund	52	5
Other	2	4

18. Source of business funds (average percentage from each source):

Source of funds	Mean	Std. Dev.
Retained earnings	53.3	38.4
Bank loans	18.0	26.5
Bank overdraft	8.1	38.4
Loans from family members	6.5	17.7
Other sources	1.8	11.9
Loans from solicitor, other advisor, silent partner	.9	8.2
Funds venture capital	.6	5.0

19. Family and non-family business equity (average percentage):

Ownership	Percentage
Family	97
Non-family	3

20. Current member of Family Business Australia:

FBA membership	Percentage
Yes	44
No	49
Don't know	7

Family involvement in the business

21. Characteristics that identify a family business:

Family business characteristics	Percentage
Dominant ownership by family	93
Dominant management by family	67
Family involvement	53
Potential generational transfer	39
Other	2

7(Respondents could select more than one category)

22. Composition of 'family':

Members	Percentage
Spouse	74
Children	70
Brothers and sisters	42
Parents	40
Nieces and nephews	16
Grandparents	15
Cousins	15
In-laws	13
Aunts and Uncles	11
De facto	7
Step-relatives	5
Relatives of in-laws	3

(Respondents could select more than one category)

23. Family members involved currently in the business:

Gender involved	Mean
Males	2.4
Females	1.7

24. Generations involved in the business:

Generations	Paid	Unpaid
	Percentage	
First	56	12
Second	65	8
Third	29	3
Fourth	11	3
Fifth	5	1
Don't know	0	0

25. Positions in business held by family members (percentage of cases):

Positions	Male	Female
	Percentage	
Director	66	39
CEO	62	6
Management Team	30	18
General Manager	29	7
Owner/Manager	29	12
Chairperson of Board	28	2
Member of Board	25	14

26. Positions in business held by non-family members:

Positions	Male	Female
	Percentage	
Director	10	2
CEO	5	0
Management Team	29	17
General Manager	15	3
Chairperson of Board	6	0
Member of Board	14	2

27. Composition of the Board:

Board composition	Family	Non-family
	Mean	
Executive Board Members	2.5	1.3
Non-executive Board members	2.5	1.8

Family and Succession Issues

28. Years to retirement:

Timeframe	Percentage
Less than 5 years	26
5 - 10 years	35
11 - 15 years	13
16 or more years	12
Undecided	14

29. Choice of successor:

	Percentage
Yes, family member chosen as successor	33
Yes, non-family member chosen as successor	5
No, haven't chosen a successor	62

30. Existence of formal succession plan:

	Percentage
Yes, have a formal succession plan	22
No, but in process of introducing a formal succession plan	35
No immediate plans for a succession plan	33
No intention of introducing a formal succession plan	10

31. Importance of business issues:

Issues	Mean	Std. Dev.
Balancing short-term and long-term business decisions	5.4	1.5
Maintaining loyalty from non-family members	5.2	2.0
Determining the financial value of the business	4.7	1.8
Availability of willing and able successors	4.7	1.9
Getting assistance from outsiders to resolve business problems	4.5	1.8
Involving non-family members in making strategic decisions	4.4	2.1
Changing from family management to professional management	3.7	2.1
Setting up a workable Board of Directors/Governing body	3.6	2.1
Defining the role of the Board of Directors/Governing body	3.4	2.1
Including non-family members in the Board of Directors/ Governing Body	3.4	2.2
Finding an outside buyer for the business	3.1	2.1

Items rated on 7 point scale: 1 = not at all important and 7 = very important

32. Type of performance appraisal:

Appraisal types	Family	Non-family
	Percentage	
Formal performance appraisal	17	39
Informal performance appraisal	32	23
Mix of formal and informal	17	27
Don't appraise	34	11

33. Type of mentoring program:

Mentoring program	Family	Non-family
	Percentage	
Formal mentoring program	9	10
Informal mentoring program	23	27
Mix of formal and informal program	16	19
No mentoring program	52	44

38. Type of management development program:

Management Development program	Family	Non-family
	Percentage	
Formal management development program	12	14
Informal management development program	22	26
Mix of formal and informal program	22	24
No management development program	44	36

34. Types of exit plans:

Exit plans	Percentage
Pass on the business to the next generation	60
Sell business on the open market	38
Sell business to employees, management or other owners	22
Pass on the business to other family member(s)	15
Bring in a partner	8
Publicly list the business	5
Close the business	3
Other	4

35. Importance of family issues:

Issues	Mean	Std. Dev.
Balancing family concerns and business interests	5.5	1.5
Compensating family members involved in the business	5.2	1.5
Maintaining family control of business	5.1	1.9
Resolving conflict among family members	4.8	2.0
Preparing and training a successor	4.5	2.1
Selecting a successor	4.4	2.1
Maintaining role for exiting senior family member	4.3	2.1
Informing family of business issues	4.3	2.0
Equity among family members	4.0	2.2
Selecting family members for business positions	3.8	1.9
Rivalry among family members	3.6	2.2
Formalising family role	3.6	2.0
Distributing ownership among family	3.5	2.0
Rivalry among family successors	3.2	2.1
Setting up family foundation	3.0	1.9
Establishing family constitution	3.0	2.0
Buying out family members not in business	2.4	1.8

Items rated on 7 point scale: 1 = not at all important and 7 = very important

Operational Issues

36. Importance of business challenges:

Challenges	Mean	Std. Dev.
Increasing profits	6.2	1.0
Business growth	6.0	1.0
Increasing customer base/sales turnover	6.0	1.2
Business/strategic planning	5.9	1.2
Balancing family and business	5.3	1.6
Operational issues	5.1	1.4
Move into new markets	4.9	1.6
Regulatory requirements	4.9	1.7
Tax issues	4.9	1.7
Retirement planning	4.8	1.8
Succession planning	4.5	1.9
Family issues	4.2	1.9
Estate planning	4.0	2.0
Change business direction	3.7	1.7
Transferring ownership	3.5	2.0
Raising capital	3.4	2.0
International competition	3.1	2.1
Expanding internationally	2.8	2.1
Other challenges	2.5	2.4

Items rated on 7 point scale: 1 = not at all important and 7 = very important

37. Effect of regulatory requirements:

Regulations	Mean	Std. Dev.
Union involvement	3.1	1.4
Local government regulations	3.8	1.5
Anti-discrimination laws	3.8	1.2
Dispute resolution regulations	3.9	1.1
Collective agreements	3.9	1.3
Tax regulations	4.0	1.6
Industrial awards	4.1	1.5
Dismissal laws	4.1	1.6
Workcover (OH&S) regulations	4.1	1.8
Individual agreements	4.4	1.4
Superannuation regulations	4.4	1.5

Items rated on 7 point scale: 1 = high negative effect; 4 = neutral; and 7 = high positive effect

38. Type of external advice sought:

Type	Percentage
Accounting	86
Legal	85
Insurance	84
Financial	74
Technology	45
Marketing	30
Human resources	25
International expansion	10
Other	3
None	1

39. External facilitators used:

Type	Percentage
Strategy formulation and planning	26
Problem-solving	16
Conflict management	9
Communication with family members	9
Change management	9
Competitive intelligence	7
Other	2
None	30

40. Business practices employed:

	Yes	No
	Percentage	
Management structure		
Business Management Team	77	23
Informal Board of Directors/Governing Body	49	51
Formal Board of Directors/Governing Body	41	59
Family Council	28	72
Communication practices		
Formal feedback to family members, e.g. through a family assembly	39	61
Formal feedback to all shareholders, e.g. through a shareholder assembly	32	68
Performance evaluation		
Financial performance	92	8
Manufacturing/Operational performance	76	24
Customer performance (customer feedback)	73	27
Human resource performance (employee feedback)	68	32
Environmental performance	35	65

41. Types of business planning employed:

	Yes	No
	Percentage	
Business planning		
Strategic business plan	76	24
Functional plan for sales and marketing	67	33
Functional plan for finance	60	40
Functional plan for manufacturing/operations	52	48
Functional plan for IT	41	59
Functional plan for asset management/maintenance	39	61
Business risk plan	38	62
Functional plan for Human Resources	34	66
Technology contingency plan	28	72

42. Types of family-to-business mechanisms employed:

	Yes	No
	Percentage	
Business mechanisms		
Family constitution	17	83
Succession plans for the CEO	26	74
Succession plans for other senior positions held by family members	23	77
Succession plans for other senior positions held by non-family members	28	72
Estate plans (wills) for senior family members who have a stake in the business	72	28
Estate plans (wills) for other family members who have a stake in the business	48	52

43. Types of policies and procedures employed:

Policies and procedures	Yes	No
Sales and marketing	73	27
Manufacturing and operations	71	29
Financial	74	26
Human resources	57	43
Information technology	50	50
Other		
Written statement about business/family values	48	52
Job description for key roles	77	23
Job description for other roles	75	25
Flow charts for manufacturing/operations	45	55
Cross/multi-skilling of employees	68	32