PwC's 2023 US Family Business Survey

Build trust to grow your brand: Structuring your family business through innovation

39%	66%	86%
of US family businesses agree they have strong digital capabilities	of US family businesses say they have a clear governance structure in place	US family businesses expect to see growth for the next two years

Investing in technology, enhancing governance and exploring new opportunities for growth — consistently focusing on the health of your business and prioritizing employees and customers — can help sustain trust in your brand long term. These takeaways from PwC's Global Family Business Survey confirm that trust is a vital competitive advantage, one that requires strategy and diligence to build.

In the US, 78% of family businesses say they believe it's essential for customers to trust their companies. But only 52% believe their customers fully trust them, and just 44% believe their employees do. One critical way family businesses can address this gap is to focus on sharing their purpose story internally and externally and building their digital capabilities — including cybersecurity.

1. Tech for family businesses: Moving ahead means addressing cyber risk

Technology for today and tomorrow: Shoring up business through transformation

The digital surge during the pandemic created a cyber existence that allowed businesses and livelihoods to continue. Yet there's been a decline in the number of family businesses who feel they have the digital chops for the future: Only 39% agree they have strong digital capabilities, down from 42% in 2021.

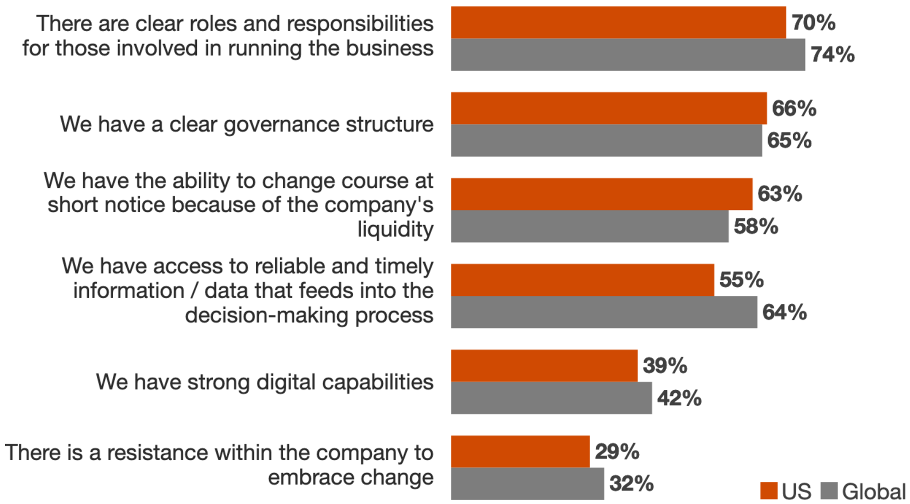
Rapid cloud adoption, virtual payments systems and other digital technology breathed life into family businesses. In many cases, former business-to-business operations quickly became direct-to-consumer. Customers entered private personal and financial data into systems they hoped were secure.

According to respondents in PwC's 2023 Global Digital Trust Insights report, there's work to be done to secure these digital transformation initiatives. Fewer than 40% of business and tech executives in that survey said they have fully mitigated the risks related to these kinds of initiatives.

Although your customers are used to a digital experience in nearly every aspect of life, a family business's personal touch — paired with tech capabilities — can set you apart: 55% of respondents agree they have access to reliable and timely information or data that feeds into the decision-making process (64% globally).

Building agility: Reprioritize digital transformation

Less than 40% of family business leaders agree or strongly agree that they have strong digital capabilities



Q: How strongly do you agree or disagree that . . . *(Response to 'Agree' and 'Strongly agree'.)*
Source: PwC Family Business Survey 2023
Base: US 83; Global 2,043

Trust and transformation: A family business imperative in the tech space

PwC's 2023 Trust Survey shows that when it comes to trusting a company, consumers are most likely to consider data security and high-quality customer service, products and services as most important. Seventy-nine percent of consumers ranked "protects customer data" as very important and an additional 68% and 67% of consumers and employees, respectively, say it's very important for companies to disclose data privacy policies.

Yet only 39% say they feel they have strong digital capabilities today as compared to 42% in 2021. This change may show a level of self-awareness in an everything-digital world. Some family businesses may be woefully behind in the digital space and recognize deficiencies: while just 40% say they are very advanced in effectively responding to and addressing data/privacy breaches, even fewer (35%) say they are still on the path to achieving this.

Family businesses should consider whether vendors or advisors with substandard cybersecurity are exposing consumer and employee data to potential third-party breaches, like ransomware attacks. Attackers may target private firms because they lack sophisticated protections many public companies have.

Given that cyberattacks may continue and increase, digital transformation can be the difference between your family business being around for the next 100 years or not.

Integration to move ahead: Now is the time to transform your tech

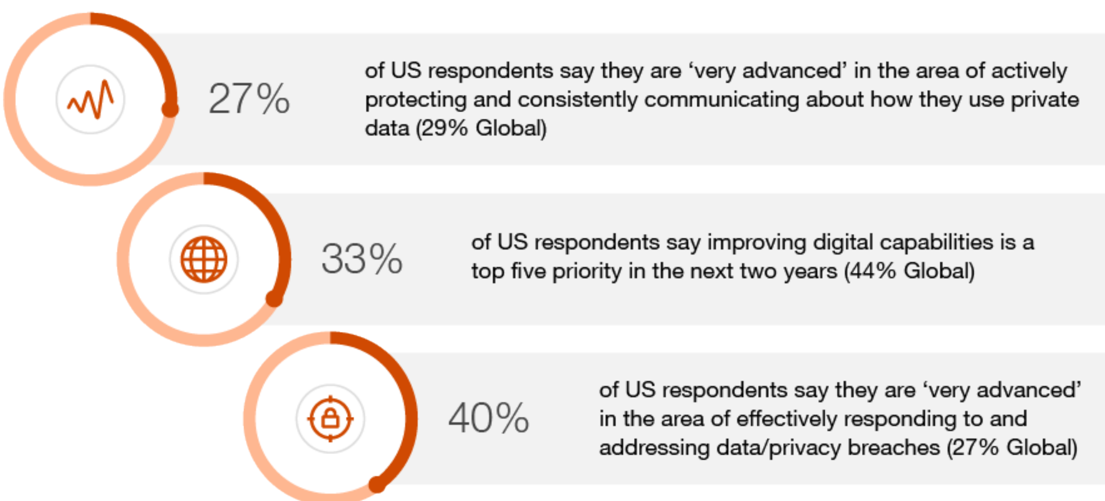
With advancing technology — in operational streamlining, customer needs, attracting talent and evolving risk — family leaders need to lean in on digital transformation. However, your choice of integration for tech transformation — and the choices of those who service your business — may impact your future ability to get information from vendors, protect data privacy and minimize risk. To build trust in the current business environment, consumers and new talent want both enhanced capabilities and security.

Recommendations to build trust through transformation:

- **Choose a tech-ready partner.** Explore M&A or strategic partnerships with businesses that have the technical capabilities — and the talent — to support your growth. Managed services providers offer the benefits of scale and leading practices, including cyber security.
- **Don't get caught up in the cloud.** Your choice of cloud adoption is just one piece of tech transformation your business needs to compete. Streamlining front office or back office operations and access to verifiable data on your business can count toward the bottom line.
- **Prioritize customers as you expand your digital footprint.** Focus on new ways to engage with customers, such as new mobile capabilities with enhanced user experience and security. Consider how technology can help you manage costs and keep the prices for your goods and services competitive.
- **Don't forget your employees as stakeholders — they are the face of your business.** Attracting new talent may be a challenge if your technology isn't current; upskill employees as needed.

Room for improvement

Where do family businesses fall short in tech?



Qs: Which of the following best describes what actions your company is taking in these areas? (Response to "Very advanced in this area'.)
Which, if any, of the following are the company's TOP FIVE priorities for the next two years? Showing one choice from a list of 15 options.
Base: US 83; Global 2,043

2. Family business governance: It's a living, breathing thing

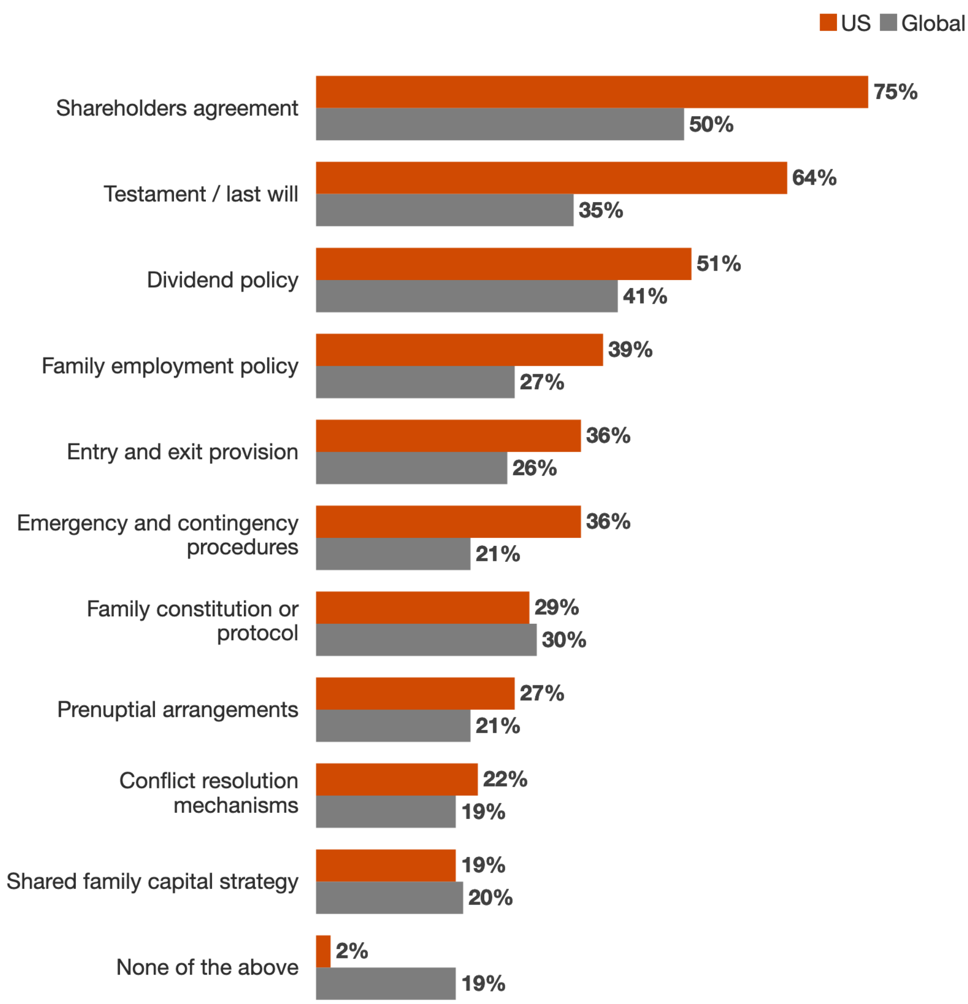
Next-gen planning: Confront reality and communicate

Families realize a purpose-led, trusted organization is a singular path forward for business. So whether your family's business is in its fifth generation or its first, thoughtful planning and governance that focuses on policy, succession planning and communication supports both foundational and evolving trust.

Nearly all (98%) US respondents say they have some form of governance policy in place compared to 81% of global family businesses. Those documents, however, vary from shareholder agreements and trusts to dividend policies.

Succession planning: It's more than a piece of paper

Family businesses need to routinely update policies, procedures and documents for good governance



Q: Which of the following policies and procedures, if any, do you have in place?
Source: PwC US Family Business Survey 2023
Base: US 83; Global 2,043

Policy, structure and board diversity

Policies, structure and strategies must be fluid and appropriate to meet the needs of both family and business. Family businesses can establish appropriate governance that embeds a trusted structure and builds longevity, but many aren't leveraging this disciplined tactic. Just two-thirds (66%) say they have a clear governance structure (65% global) and 65% say they have a person responsible for corporate governance (68% global).

Structured tactics, like forming family ownership councils can move a business without a board in the right direction. But don't wait until the business has become overly complex to define and document your governance frameworks.

Merely having the documents isn't enough. Consistency across documents and agreement among stakeholders should be evaluated continually and families and boards must act in concert. A shareholder agreement that says one thing, and wills and trusts that say another, is a problem.

When your governance needs to evolve, consider an external voice. New ideas and diverse perspectives are a good place to start. Think about your family council or board. Most boards have a majority of men and those who are 40 or older; 26% have only family members and can benefit from diversity of thought.

Succession planning: Examining hard truths

When the business has been thriving for decades, families may be loath to discuss succession planning. The data shows it: 75% have a shareholders agreement, while only 64% have a will, one of the most foundational governance documents. Reticence can arise either from a CEO who doesn't want to step down or lack of an heir-apparent.

However, with 78% of respondents saying that protecting the business as the most important family asset is their top long-term goal for the next five years (82% globally) and 72% want to ensure the business stays in the family, succession planning needs to be a priority. In 2021, only 34% said they had a robust, documented and communicated succession plan in place.

To lend stability and trust among family, employees and customers, succession planning should be considered at every stage of the business. And when the time comes, there needs to be a fully-trained, agreed-upon replacement to take the helm when a key decision-maker leaves their post.

Robust preparation boils down to having a well defined and communicated plan for the transition of decision-making. With multigenerational family businesses, the alignment of governance and legal documents makes a seamless transition possible.

Communication: it's how to lead on trust

Confronting reality around succession — and communicating so consumers and employees are confident you have the business's best interest at heart — builds confidence. Although regular communication about the business is relatively high (64%), it's down from 66% in 2021.

Family members want to know what the business is doing — so tell them. Multigenerational businesses are complex, but a transparent communications structure allows for good decision-making.

Respondents appear to be making the effort. Sixty-four percent believe family members regularly communicate about the business, and 63% believe relevant information is shared in a transparent and timely way between family members.

But with only 49% saying there is family alignment on company direction, internal strife may derail progress. Frequently updating family members builds trust and may prevent future discord.

Trust/communications recommendations:

- **Start early and take a holistic view of governance.** To protect the family business, make sure your governance structure remains relevant. Establish a cadence for frequent reviews of the documents necessary for business continuity (e.g., family constitutions, stakeholder agreements, trusts, etc).
- **Plan for diversity.** Look outside the family to add diverse perspectives for growth and differentiated skills.
- **Evaluate, evaluate, evaluate.** Your governance structure should allow for major transitions. Revisit as needed, especially during times of change.
- **Keep open lines of communication.** Frequent updates on company progress foster transparency and build trust.

3. Managing today's growth and building trust for tomorrow

Innovation: If it ain't broke, it may still need fixing (for growth)

Businesses needed agility and outside-the-box thinking to survive the tumult of the last several years. As generational interests expand, a vast majority of respondents (90%) report that growth is important because it enables them to invest in their company's future; 78% of respondents believe it's essential to be trusted by their customers.

With new technologies and commitment to sustainability poised to disrupt entire industries, family businesses need to think like their founders. That means innovating.

How did your family business start? For many, the vision of a single, determined individual engendered deep trust in your brand while innovating products and services to ignite a business. It's important to retain that entrepreneurial spirit. Many family businesses indicate, however, that's not their focus. Only 19% say they put "very much" of their focus, energy, investment and resources into constant innovation, research and development.

Thinking differently and taking risks is challenging for a successful business over multiple generations. Yet the same entrepreneurial strategies that founded your family business are important to its long-term success.

Integration for growth: Partner for what your business needs

Now that interest rates have gone up, deals have cooled to less than $300 billion in the first quarter of 2023 (down from over $700 billion in Q1 of 2021). Family businesses flush with capital have an opportunity to explore M&A or integration strategies. Plugging in a business partner — whether private equity, digital native provider or consultant — who brings advanced technical capabilities can accelerate growth and enhance digital risk management.

Acquisitions can also add capabilities that attract talent. Like advanced technology, innovation is a big draw for new talent seeking companies that provide new experiences.

Family businesses understand loyalty to employees: These most important stakeholders are stewards of your brand. But providing jobs isn't enough when technology moves ahead — maximize investments in innovation by upskilling employees to succeed in new roles.

A sustainable second look: Don't throw opportunity out with the bathwater

Family businesses have relied on trust established over generations. And a growing demographic points to a shift in priorities. What matters most to today's customers and employees — and to generations that follow — are issues around environmental, social and governance (ESG). How to run a sustainable business fit for the future has become the litmus test for trustworthiness.

Sustainability is gaining momentum. But only 30% of family businesses agree that contributing to solutions for society and the environment is important for longer-term goals; just 7% say they have an agreed and communicated ESG strategy.

Although private businesses aren't held to ESG regulatory standards, listed partners are. As a growth driver, sustainable investments, cost-reducing renewable upgrades and tax incentives all immediately impact the bottom-line.

Investors and lenders have a keen interest in how your company participates in the ESG space — many may use those metrics as a gating requirement. A well-thought-out strategy can not only open doors, but more importantly, prevent your family business from getting shut out by capital partners seeking sustainable shores.

Sustainable innovation is a business opportunity to add value and build trust with consumers, employees and community.

Giving back to the community: Share your purpose and contributions

In our 2023 Trust Survey, 91% of business executives agree (including 50% who strongly agree) that their ability to earn and maintain trust improves the bottom line. But did you know your business is already building trust and creating value by giving back to the community?

Many family businesses make it a point of pride to act in a socially responsible manner within their community. Doing good work is often a hallmark of a brand: 81% say they are contributing to their local community.

Communicating social responsibility to the public and employees is key: 81% say they have a clear company purpose and 72% say they actively communicate their purpose internally, but only 39% say they actively communicate it regularly.

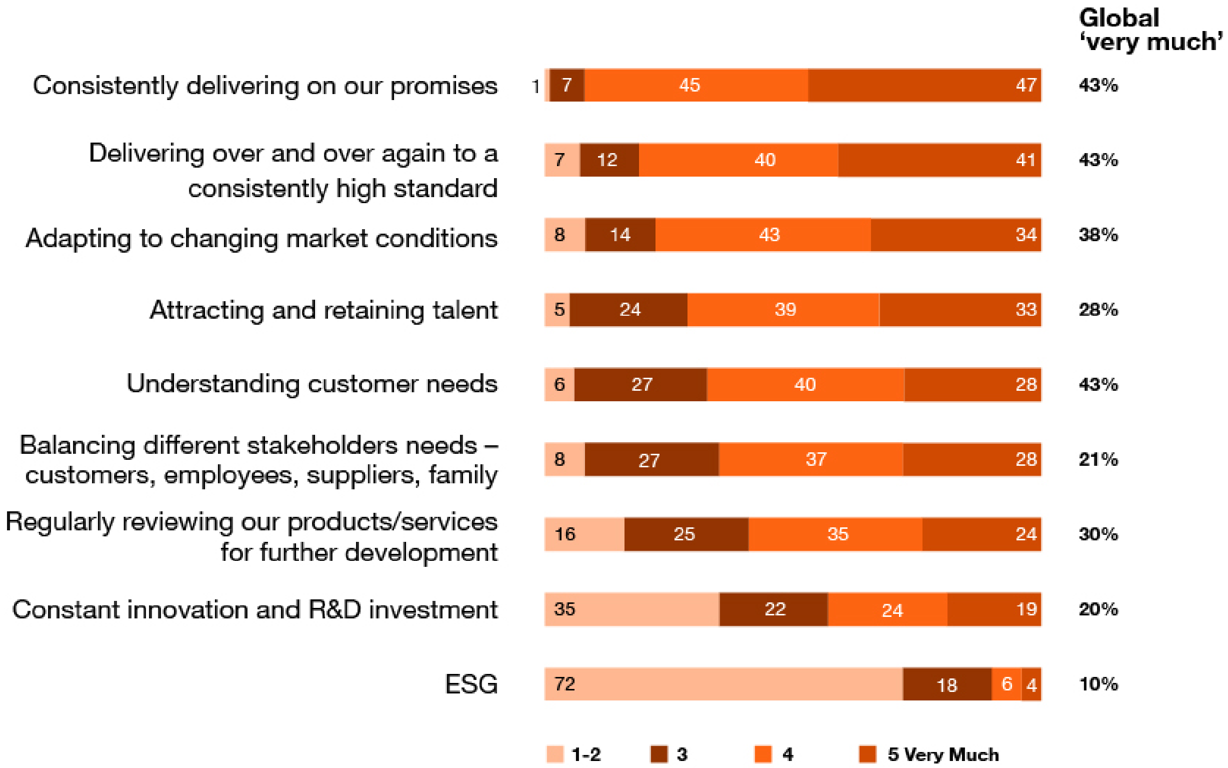
Tallying data, increased transparency around community giveback and communicating your business's wins builds trust. And reporting may score points with listed investors and suppliers who are required to meet social sustainability goals.

Recommendations around growth:

- **Integration for innovation.** When considering a transformative deal, leverage experiences early and sustain investment in transformation to create and implement new long-term operating models.
- **Innovation and upskilling through digital transformation.** Partner for immediate impact in the digital space, making sure employees feel invested in your business through upskilling. And if longtime employees are unwilling to change, it may be time to part ways.
- **Keep up the good work.** Perhaps your business has already been creating green spaces and making workplaces healthier for your employees. These sustainable actions can enhance your bottom line.
- **Don't be shy: Build community trust and communicate it.** Positive community impact (e.g., college, trade school, military internships, upskilling programs, "greening" immediate community) builds the family name within the community and beyond.

Innovate for growth: Put your money where it counts

On a scale of 1 to 5, the amount of focus, energy and investment in the following areas:



Q: For each of the following, how much focus, energy, investment and resource do you put into it right now ...?
Source: PwC Family Business Survey 2023.
Base: US 83; Global 2,043

About the Family Business Survey

PwC's Global Family Business Survey 2023 is an international market survey of family businesses. The goal of the survey is to get an understanding of how family business leaders perceive their companies and the business environment. The survey was conducted online in collaboration with the Family Business Network International (FBN International). The survey conducted 2,043 interviews in 82 territories between October 20, 2022 and January 22, 2023. Manufacturing accounts for 40% of the businesses surveyed, and 24% are in consumer goods, with the rest coming from financial services, technology and healthcare, among other industries.

Learn more: www.pwc.com/us/familybusinesssurvey

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