PwC's 28th Annual Global CEO Survey

# Reinvention on the edge of tomorrow

## Family Business Cut

CEOs report early productivity gains from generative AI and rising payoffs from investments in sustainability. With CEOs of – especially public – family businesses leading the charge, the challenge now is to increase the scope and speed of reinvention by capitalising on their inherent competitive advantages.

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# Why we've created this report

**The future is already here—it's just not evenly distributed,' said speculative fiction author William Gibson. This sentiment echoes through the results of PwC's 28th Annual Global CEO Survey, based on responses from 4,701 chief executives representing every type of business and all regions of the world economy.**

Out of the total sample, just under one-third – 1,457, or 31% – were CEOs of family businesses, split almost equally between public and private family businesses.[1] On average, public family businesses – public companies where a family is the dominant owner – were among the largest organisations participating in the survey, with 44% of them turning over more than US$1bn (compared to 26% of non-family businesses) and 7% turning over more than US$25bn (compared to 3% of non-family businesses). The public family businesses in our study were also relatively large in terms of number of employees, with 15% of them employing more than 25,000 people compared to 7% of the rest of the sample.

[1] Public Family Businesses are those CEOs from public businesses who responded 'yes' when asked if a family owned 30% or more of the voting shares. Private family businesses are those CEOs from private businesses who ticked the box 'family owned' when asked to select from a number of options of private ownership.

In this report – which constitutes a summary of the overall CEO Survey report – we offer insights into how the responses from CEOs of family businesses, both private and public, compared with those from the non-family business respondents. There are some areas where we didn't find any significant differences, indicating that the CEOs of family businesses are facing the same challenges as, and taking similar actions to, their non-family business counterparts. However, in other areas there are sharp differences that we believe often position family businesses – and especially public family businesses – ahead of the pack.

Drawing on such findings, we use this report to offer the family business community our own insights on how they might capitalise on some of their inherent competitive advantages - which we believe that in some instances emerge loud and clear – thereby helping them to better map out their journey to reinvention, while also addressing the distinct risks they face as family businesses as compared to their non-family business counterparts.


# An overview of our CEO Survey findings for family businesses

Some CEOs across all sectors – including many family businesses – are moving rapidly to capture the potential for growth and value creation presented by the defining forces of our era. They're investing in generative AI (GenAI), addressing the opportunities and threats posed by climate change, and reinventing their operations and business models to create value in new ways.

Yet many others are moving more slowly, constrained by leadership mindsets and processes that lead to inertia.

This latter group now has two options. First, accelerate their reinvention efforts. Or, second, hope that, with just a few tweaks, today's operating and business models will continue to deliver results – even as AI and the drive towards net zero set value in motion across the economy.

# Against this background, the key family business-related findings of this year's CEO Survey include:

CEOs in public family businesses are leading the way on generating higher revenue and profitability from GenAI, with 47% of them saying it has boosted their profitability over the past year, against one-third (32%) of CEOs in non-family businesses. But private family businesses are lagging behind, with only 27% citing improved profitability. Over the next 12 months family businesses are broadly in line with the overall sample in terms of an expected increase in profitability from GenAI, with public family businesses voicing slightly higher expectations than other types of organisations, at 54%.

47%

of Public Family Businesses saw increased profitability from GenAI.

Vs.

32%

of Non-Family Businesses.

46%

of Public Family Businesses reported increased revenues from climate friendly investments

Vs.

32%

of Non-Family Businesses.

Investments in climate actions and sustainability are paying off, especially for public family businesses. Almost half – 46% – of them report that climate-friendly investments made over the last five years have resulted in increased revenue, compared to only one in three CEOs overall. Private family businesses, of whom 27% report increased revenues from climate investments, are broadly in line with non-family businesses in this regard.

Sector boundaries are blurring for all businesses. Almost 38% of CEOs in non-family businesses say their companies have started to compete in new sectors in the past five years, a figure that's similar for both public and private family businesses. Consistent with last year's survey, four in ten CEOs in both family and non-family businesses believe their company will no longer be viable in ten years if it continues on its current path.

CEOs overall are optimistic about the near-term outlook, even as they worry about their own company's long-term viability. Almost 60% of all CEOs expect global economic growth to increase over the coming 12 months. While family businesses in general are slightly more optimistic than the average, their outlook for their own territory is slightly less positive, with 50% of all family businesses anticipating growth in their own country's economy.

50%

of all family businesses anticipating growth in their own country's economy.

The pace of reinvention is slow overall, but slightly faster for public family businesses. Non-family business CEOs – and those of private family businesses – say only 7% of their revenue over the past five years has come from distinct new businesses set up during this period, but this figure rises to 9% among public family businesses.

60%

of all CEOs are expecting to see global growth

That said, the 60% of all CEOs – both family and non-family business – expecting to see global growth represents a much more optimistic assessment than in recent years, up from 38% in last year's survey, and only 18% two years ago. Also, by a ratio of more than two to one, CEOs overall expect to increase rather than decrease their headcount in the year ahead (42% vs. 17%).

# Two defining issues: AI and climate change

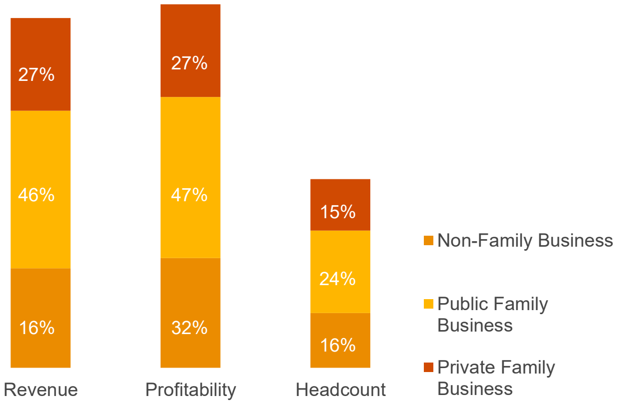
## Early returns on GenAI

Only two years after GenAI appeared on the radar of most executives, companies around the world are adopting it at scale – and already seeing promising results. More than half (57%) of CEOs from non-family businesses tell us GenAI has resulted in efficiencies in how employees use their time – a figure that rises to 61% among public family businesses but slips to 50% for private family businesses.

However, it's when we look at GenAI's impacts on revenue and profitability that some really big differences emerge. Around one-third of CEOs from non-family businesses report increased revenue (29%) and profitability (32%) from GenAI. By contrast, 46% of public family businesses say GenAI has boosted their revenues, while only 27% of private family businesses say the same. A similar pattern emerges on profitability, with 46% of public family businesses, 32% of non-family businesses and just 27% of private family businesses reporting an uplift from GenAI.

These contrasting findings suggest that public family businesses are ahead of the game in adopting AI, leaving both non-family businesses and private family businesses trailing in their wake.

GenAI's impacts on revenues, profitability and headcount




*Q: To what extent did generative AI increase the following in your company in the last 12 months?*

Given this, could it be that public family businesses represent the best of both worlds – namely by marrying an innovation-centred corporate culture with the competitive advantage of dominant family ownership? It's hardly surprising that private family businesses are lagging behind, given their tendency to be more cautious in introducing innovation – a trait we've highlighted in our Family Business Hopes & Fears study.

Significantly, when CEOs of public family business are asked about their company's prospects for long-term revenue growth, their outlook is markedly more positive than for non-family businesses (63% vs 52%). And, turning to CEOs' expected tenure, twice as many believe they will still be in the job beyond the next five years.

# Your next move: Keep your eyes on the prize

Given that GenAI is only just starting to achieve widespread adoption in business, it's little surprise that many companies have yet to see concrete financial results from using it. Yet capturing the productivity potential of GenAI will soon be table stakes in many industries. Realising these gains will require a systematic approach to deciding where to implement the technology, plus investments in data, integration and skills.

These moves will position organisations to seize many further opportunities ahead, ranging from transforming a specific function to adopting new business models. Our findings suggest that public family businesses are making great strides in harnessing this potential and are already turning it to their advantage to generate higher revenues and margins. By contrast, private family businesses have been slower to seize the GenAI opportunity – and must raise their game to close the gap. Is it time to call upon the next gen calvary to help out and lead the way? As it transpired from our last PwC's Global Next Gen Survey, the respondents, members of the next generation in family businesses, told us that they firmly believe in the transformative power of GenAI, but are also concerned about the ability of their family businesses to withstand the disruption it may cause and to capitalise on the opportunities it offers. With next generation family members seeing the substantial value and opportunities associated with AI, family business owners and leaders have a great opportunity to really unleash the power of GenAI by actively seeking their support and involvement.

# The upside from climate action

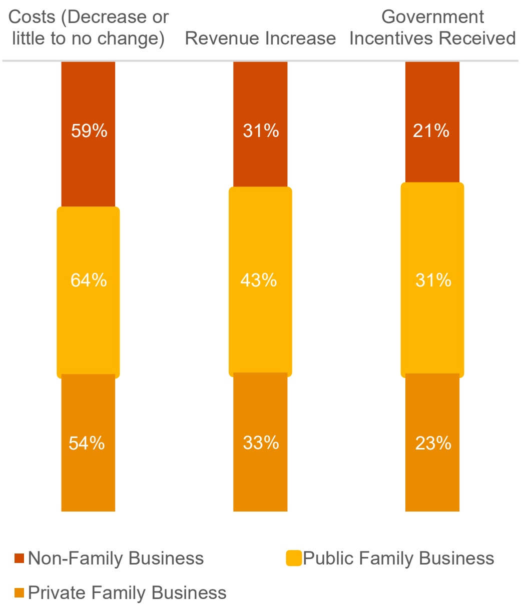
When we asked all CEOs to assess the financial impact of their climate-friendly investments over the past five years, we found these moves were six times as likely to have increased revenue as to have reduced it. The same applies with family businesses in general, although public family businesses reported a much larger increase in revenues than non-family businesses from their climate-friendly investments (43% vs 33%).

On the costs side, around two-thirds of all CEOs reported that climate-friendly investments have either reduced costs or had no significant impact.

Public family businesses were more positive on this point, with almost 64% reporting a decrease in costs, but only just over half (54%) of private family businesses said the same.

Once again, it seems that public family businesses are well ahead of non-family businesses when it comes to realising revenue and cost benefits from climate friendly investments, with private family businesses lagging behind. Based on this, it appears that private family businesses may have been overly timid or cautious with their climate investments.

## Impacts of climate friendly investments

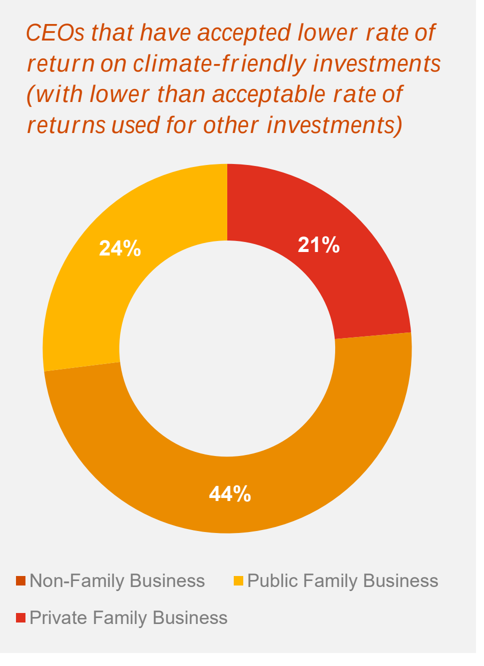


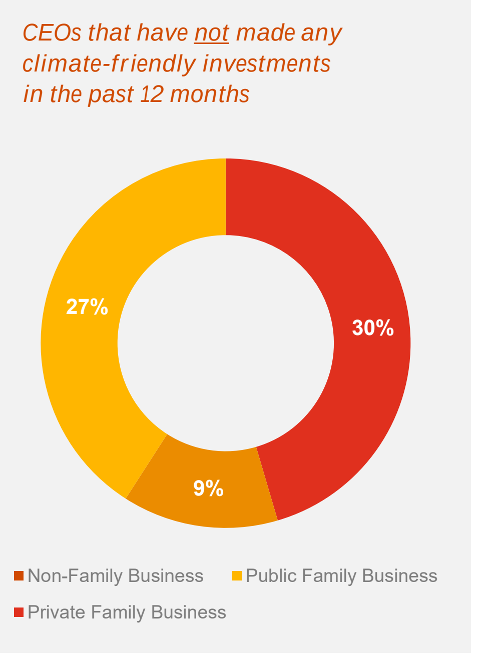

*Q: To what extent have climate-friendly investments initiated by your company in the last 5 years caused increases or decreases of the following: Cost, Revenues from products/service sales, Government incentives received.*

However, other factors are also at play aside from ownership structures. After adjusting for geography and other variables, we find that making climate-friendly investments is associated with higher profit margins. This finding echoes last year's CEO Survey, which showed a link between climate actions and stronger financial performance.

Crucially, most investors are persuaded by such evidence. In the PwC Global Investor Survey 2024, almost 70% agreed that companies should make expenditures to address sustainability/ESG issues relevant to the business, even if this reduces near-term profitability. This ready acceptance of climate-focused investments can be a real incentive for all family businesses, as both public and private family businesses have a natural predisposition to pursue long-term growth and profitability, putting climate-related investments squarely within their comfort zone.

This is underpinned by another set of findings. 44% of CEOs of public family businesses made climate-friendly investments at a lower return rate acceptable for other investments, more than twice of their non-family business counterparts (21%). This could be attributed to longer term horizons and deployment of patient capital in view of bigger gains further down the line.




Also 30% of CEO of non-family businesses stated that they have made no climate-friendly investments over the last 12 months vs. only 9% of public family business stating the same.

What's more, while more than half of all CEOs globally (55%) say their personal incentive compensation is linked to sustainability metrics, this figure leaps to an impressive 73% among CEOs in public family businesses. In general, the higher the percentage of CEO compensation at stake, the higher the revenue generated from climate-friendly investments. This equation is clearly working for public family businesses.

# Business as (un)usual

## Outlook and threats

Against today's backdrop of geopolitical and trade tension, it might seem surprising that CEOs are optimistic about the outlook for the global economy. Almost 60% of all CEOs surveyed expect global growth to improve in the 12 months ahead, up from 38% in last year's survey and only 18% two years ago. They also remain broadly confident about the outlook for their own company. And more than twice as many expect to increase headcount in the year ahead (42%) as to reduce it (17%). The responses from family businesses are similar on all of these points.

# Ramping up reinvention


Many business leaders recognise the need to reinvent their business models. Consistent with our last two annual surveys, four in ten of all CEOs (42%) say their company will remain viable for less than ten years if it continues on its current path. Our findings confirm that family businesses share this sentiment.

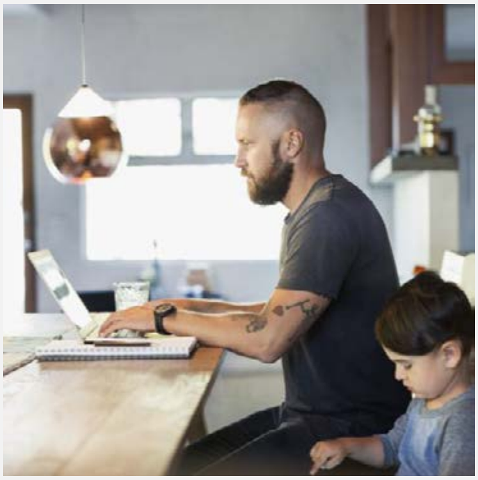
The responses are also similar when it comes to steps taken to reinvent the business. Across all sectors, just under two-thirds of all CEOs (63%) report having taken at least one significant action to change how their company creates, delivers and captures value. This is very much in line with the findings from family businesses.

Across all organisations, the most common reinvention actions are product and service innovation and moves to target new customer groups. Fewer companies have taken actions that typically come with higher degrees of difficulty, such as pioneering new routes to market, implementing new pricing models or collaborating with other organisations to create new ecosystems. On the last of these actions – collaborating to create new ecosystems – family businesses score lower than non-family businesses (20% vs 28%), indicating a missed opportunity for family businesses.

If CEOs need further encouragement to double down on reinvention, they should note that our data indicates a strong linkage between the number of reinvention actions companies have taken and the profit margins they achieve. Companies taking more actions also report bigger gains from GenAI over the past year.

# The great reconfiguration

More than three decades of digitisation have already started to erode boundaries between sectors. Going forward, the interactions between climate change, AI and other megatrends will hasten reconfiguration and create new domains of growth that cut across sectors.



40%

of all CEOs of Private Family Businesses tell us their companies have started to compete in at least one new sector in the past five years .

Our research reflects these changing dynamics. Thirty-eight per cent (38%) of all CEOs tell us their companies have started to compete in at least one new sector in the past five years – a figure that rises to 40% among private family businesses, but slips to 35% for public family businesses. Although many of these initiatives have been small, about one-third of all CEOs – including those from family businesses – making cross-sector moves said these represented 20% or more of their company's revenue over the period. While this group includes companies of all sizes, smaller businesses with revenues below US$100 million are represented more heavily.

The message appears to be that when it comes to venturing beyond sector boundaries, agility matters. It might be significant that a slightly higher percentage of private family businesses, which tend to be at the smaller end of our sample, are more likely to have started competing in a different sector. As this underlines, family businesses have an opportunity to excel when it comes to agility. They're generally recognised to be more agile in their decision-making and often have more nimble structures than listed corporates. Also, the high level of trust among family shareholders – as reported in PwC's Global Family Business Survey 2023 – means consensus can be reached and decisions made faster and more easily. These characteristics arise in both public and private family businesses – so agility is an attribute that all family businesses should look to leverage as one of their most powerful competitive advantages.

## Your next move: Envision your ecosystem

Alliances and partnerships are essential sources of learning (as well as revenue) on the journey towards new domains of growth. As CEOs of all type of family businesses seemed the most resistant to external partnerships (about 10% behind non-family businesses) this is an area they should explore and act more on.

An idea for them is to seek synergies with other family-owned or -controlled businesses that are likely to share their family values, long-term horizons and relatively high agility – attributes than can make them great potential partners and allies.

New expertise within the executive team may also be needed, although hiring one or two new functional leaders is never a complete solution. Navigating industry reconfiguration is a job for the top team as a whole, with strong support from the board.

# Continual reinvention

## Zero in on decision quality

Leading any business through profound change requires decision-making that's well informed, disciplined and unbiased. Yet almost six in ten of all CEOs say they usually judge strategic decisions by their outcomes, not by the quality of the process. The problem here is that outcomes are often determined by factors that are beyond the control of the decision-makers.

The only thing leaders can fully control is the quality of the decision-making process. And our survey results suggest that companies with higher-quality processes for making strategic decisions achieve higher profit margins. The clear implication? CEOs are leaving money on the table by not following proven best practices for decision-making.

## Your next move: Prioritise process

Decisions sometimes need to be made quickly, before every box has been ticked. But there is compelling evidence that stronger decision-making processes result in better decisions, especially under conditions of uncertainty. In the current environment, with very high levels of uncertainty across multiple dimensions, decision quality is paramount.

**A key point for all family businesses is that thorough, fact-based decision-making comes into its own particularly strongly in situations where emotions are running high.**

On climate change, for example, CEOs are under scrutiny from customers, employees, investors and even family members. The same goes for how CEOs handle decisions related to AI, and questions about the future of legacy businesses in the face of industry reconfiguration. In these circumstances, robust decision-making processes can break deadlocks and support a bias to action. Our survey data confirms this: CEOs in businesses of all types who report stronger decision processes also report more reinvention actions.

# Build trust for a new era

As highlighted earlier, about half of all CEOs believe that GenAI will increase the profitability of their company in the year ahead – a figure that's the same for private family businesses, but with public family businesses slightly ahead on 54%. At the same time, only about one-third (32%) of non-family business voiced a high degree of trust in having AI embedded into key processes, well behind public family businesses (41%) but narrowly ahead of private family businesses (30%).

54%

of CEOs in Public Family Businesses report having taken at least one significant action to change how their company creates, delivers and captures value

As might be expected, CEOs who voice higher trust in trust AI reported higher gains from GenAI over the last 12 months – and also expect higher gains from the technology in the year ahead. They are also more likely to be moving forward with integration of GenAI into their technology platforms, business processes and workflows.

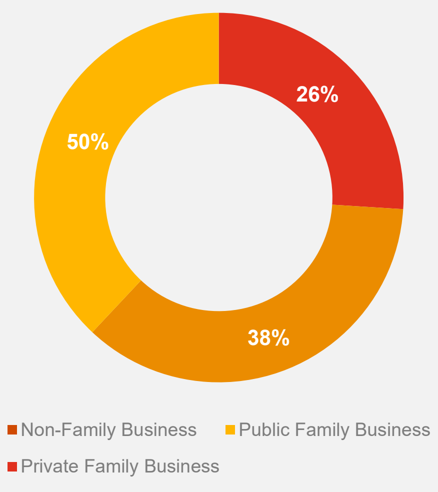
# Capitalise on the tenure advantage

Business, society and the competitive landscape are being reshaped by powerful forces that will play out over the decade to come. Yet when we asked all CEOs how long they expect to remain in their current role, almost three-quarters (74%) answered five years or less. But in family businesses this figure falls dramatically. Among the CEOs of public family businesses, 50% expect their tenure to be more than five years, while in private family businesses that proportion declines still further – perhaps surprisingly – to 38%, although that's still higher than the average for all CEOs.

In addition, some intriguing differences emerge between the survey responses of CEOs with a shorter expected tenure and those who expect to be in the role longer. For example, those with a longer expected tenure are more likely to:

- Be taking multiple actions to reinvent their company's business model (which is, in turn, associated with higher profit margins).
- Report profitability gains from investment in GenAI, and have higher expectations for the technology in the year ahead.
- Be using a range of techniques to ensure the quality of strategic decisions.

*CEOs expecting to be in the job for more than 5 years*




All three of these traits also check out with both public and private family businesses. In our view, the longer tenure expectations among the CEOs of family businesses in general are likely a direct result of family businesses' unique characteristics – namely their long-term horizons and stronger ties with their executives, who are often family members and/or shareholders themselves.

While it's true that some CEOs with just a year or two of remaining tenure do move decisively to take actions like reinventing their company and harnessing AI, the reality is that they may feel less inclined to initiate such radical change if they don't expect to be around to see the full results. So, for family businesses, the longer anticipated tenure of their CEOs appears to provide a more solid basis for change, and a clear opportunity to embark on reinvention.

# Top takeaways for family businesses

Looking through this report, here are our selected top takeaways for leaders of family businesses, both public and private.

Public family businesses blend a culture of innovation with the benefits of family ownership.

Collaboration through alliances is an area where family businesses are lagging and need to catch up.

Family businesses' higher degree of agility gives them an edge in crossing industry boundaries.

Uncertain times make it vital for family businesses to invest in robust decision-making processes.

2x

Family businesses are twice more likely to deploy 'patient capital' in climate-friendly investments.

The longer tenure of family business CEOs reinforces the opportunity for reinvention.

# Conclusions

In conclusion, family businesses, both public and private, stand at a unique crossroads where they can leverage their intrinsic strengths while addressing areas that require strategic enhancements. Public family businesses exemplify how innovation can be seamlessly integrated with the stability of family ownership, seeing tangible benefits in revenue and profitability from emerging technologies like GenAI. This blend of innovation and family control presents a valuable blueprint for other family enterprises aiming to enhance their competitive edge.

Private family businesses, on the other hand, have demonstrated remarkable agility, often leading the charge in venturing beyond traditional sector boundaries. The nimble decision-making and inherent trust among family members position these businesses to capitalise on new opportunities swiftly. However, to fully harness their potential in a rapidly evolving landscape, family businesses must overcome their hesitation towards forming alliances. Embracing partnerships with a shared alignment of family values can unlock new avenues for growth and adaptation in a changing market.

Read the full report

Moreover, the current economic climate underscores the necessity for robust, fact-based decision-making processes. For family businesses, this means fostering an environment where strategic deliberations are informed by data and foresight rather than emotion, especially in areas fraught with uncertainty such as climate change and technological adoption. The elongated CEO tenures seen in family businesses further reinforce the opportunity for impactful reinvention. By nurturing a culture that supports long-term vision and consistent leadership, family enterprises are well-equipped to innovate and evolve their business models, ensuring sustained profitability and relevance.

Ultimately, the path forward for family businesses involves balancing tradition with transformation. By building on their foundational advantages while strategically addressing areas for growth, family businesses can secure their legacies and thrive in the future.

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# PwC's 28th Annual Global CEO Survey methodology

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**About the 28th Annual Global CEO Survey:** PwC surveyed 4,701 CEOs globally in 109 territories.

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