



Be the mantle of leadership in times of uncertainty

**PwC's Global NextGen Survey 2022
– China Report**



pwc



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Introduction

In a world where change is the only constant, the breadth and depth of responsibilities that the next generation (NextGen) of leaders in family businesses are facing have never been more complex and challenging. The prevailing COVID-19 pandemic, geopolitical tensions, economic disruption, climate change, are just some of the many problems that are keeping NextGens awake at night and testing their agility in taking appropriate actions.

Faced by spiking Omicron cases and slowing growth at home, many family businesses in China find themselves having to make important decisions and revamp their business models to survive the current crisis and achieve sustainable growth over a longer time horizon. In fact, China's private sector, which includes family businesses and contributes to more than 60% of the country's GDP and tax revenue, is bearing the brunt of economic pressure brought by pandemic restrictions and regulatory reform.

Meanwhile, the growing importance of family businesses to the Chinese economy cannot be overlooked. The private sector represented merely 8% of the total market value of China's 100 largest listed companies in 2010 but soared above the 50% threshold in 2020 with only a slight dip in 2021, to 48%. The share of revenue the private sector contributes has been steadily rising, from zero in the mid-2000s to 19% of the aggregate in Fortune's 2021 ranking, based on 2020 revenue.ⁱ

With many first-generation entrepreneurs now in their late 60's and 70's and expected to pass on the mantle of leadership, it has become clear that as future leaders of their businesses, NextGens cannot afford to sit on the sidelines. Sooner rather than later they will need to boldly take the driver's seat to steer the path forward for their company, while seeking clarity about what the new world will look like and also what their company's place in that world is going to be.

Our survey reveals that NextGens in China are coming to terms with the change in reality. Majority of them feel the urge to drive business growth over the next two years, and consider expansion into new sectors or markets and talent management as key priorities. Most Chinese NextGens still feel the need to prove themselves and learn more about the business, with some given the opportunity to lead a specific transformation project or initiative within the business. However, they are relatively less likely to believe the business has a responsibility to fight climate change (China: 57%; Asia Pacific: 67%; Global: 71%) and see the opportunity for their business to lead the way in sustainable business practices than their global counterparts.

Nonetheless, as a new generation of business leaders emerges in China over the next decade, the differences in their management approach and competencies are likely to translate into new ideas, insights and actions that challenge the status quo, all while putting their own stamp on their family legacy.



Overview of Chinese family businesses

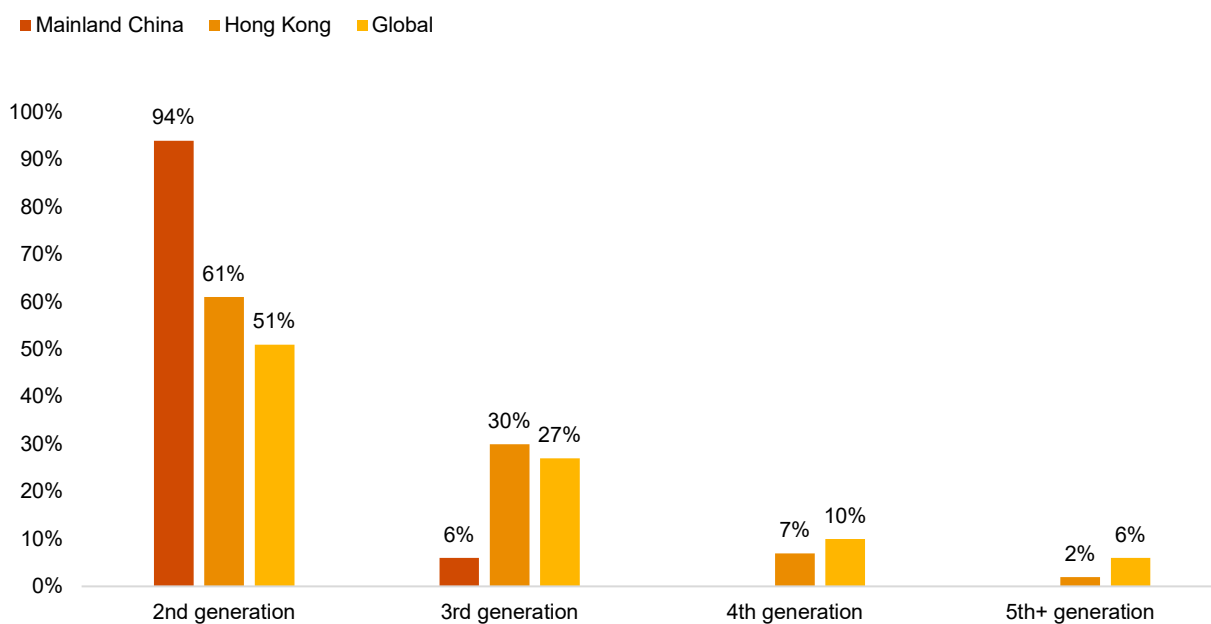


Maturity of family businesses in China

With the NextGens looking to take up the mantle of leading the family business from the current generation, we can see different trends emerging among Mainland Chinese family businesses when compared to their more mature global counterparts.

The private sector in China, including family business, has a relatively short history of development and only started to rapidly expand in the last four decades, thanks to the economic reforms and opening-up that transformed Mainland China in the late 1970s. The average lifespan of Hurun China 500 companies is 25 years, 38 years less than the average of Hurun Global 500.ⁱⁱ

Figure 1. Which generation are you representing?

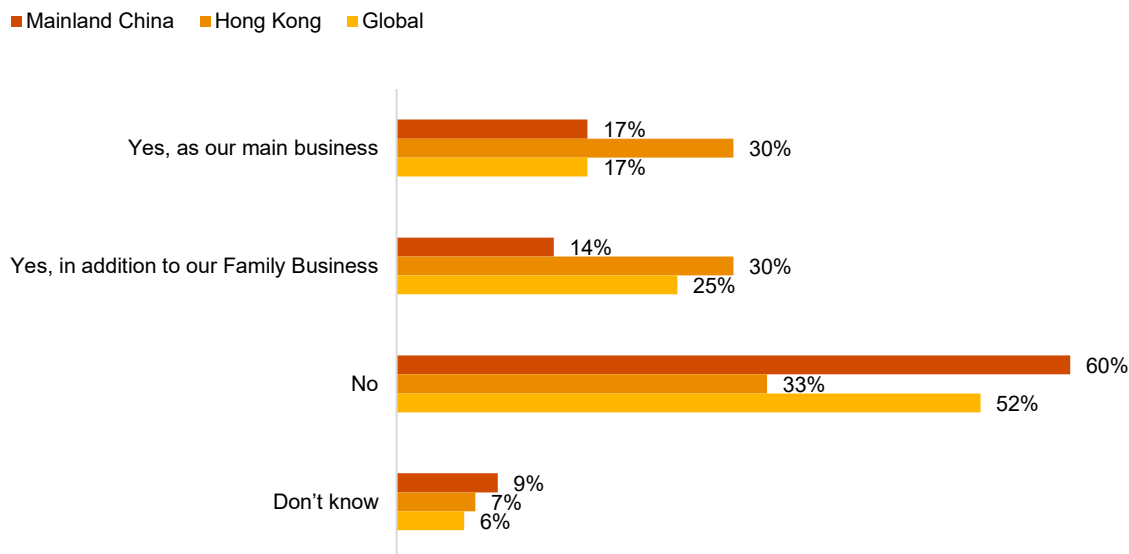


While majority of the NextGens in both Hong Kong and Mainland Chinese family businesses are from the second generation (Mainland China: 94%; Hong Kong: 61%; Global: 51%), we can see more leaders from the third generation and beyond globally (Mainland China: 6%; Hong Kong: 39%; Global: 43%).





Figure 2. Does your business have a Family Office?



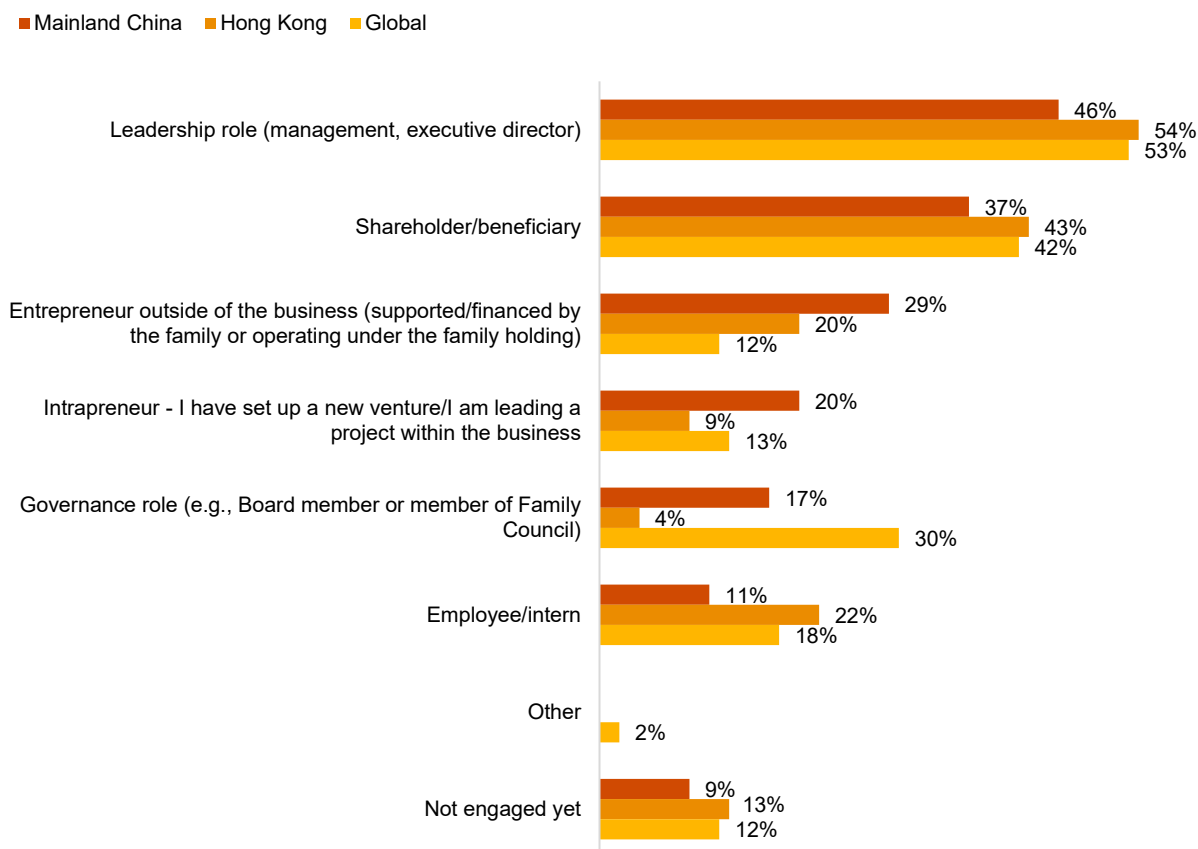
With generational wealth transfer at the forefront for more mature family businesses, 42% of global family businesses have a Family Office. However, this is only 11 percentage points higher than Mainland China at 31%. Hong Kong on the other hand, ranking 6th in Forbes' list of regions with the most billionaires in 2022, unsurprisingly has a much higher proportion of family businesses with a Family Office at 60%.ⁱⁱⁱ

However, these figures may change considerably with the rapid rise of ultra-high-net-worth-individuals (UHNWI) in Mainland China and ongoing growth in the number of family businesses.^{iv}

The changing role of NextGens in family businesses

Ensuring the family's legacy remains intact is critical to survival. The current generation of leaders will need to rely on the NextGens to carry on the family business. While 53% of NextGens are currently involved in a leadership role globally, at present, we can see fewer Mainland Chinese NextGens (46%) holding such positions (Hong Kong: 54%). However, Chinese NextGens tend to have more of an entrepreneurial mindset than their global counterparts as more set up their own entrepreneurial venture outside of their family businesses (Mainland China: 29%; Hong Kong: 20%; Global: 12%).

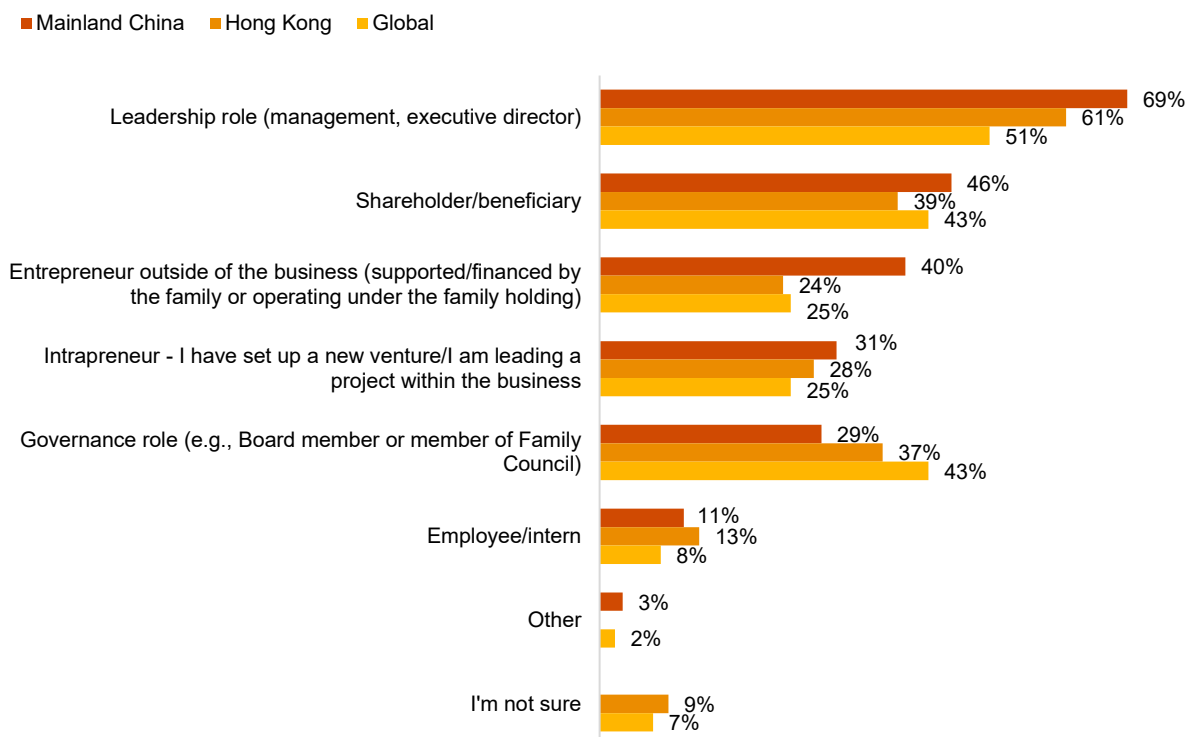
Figure 3. Which of the following roles, if any, do you have in relation to your Family Business / Family Office today?



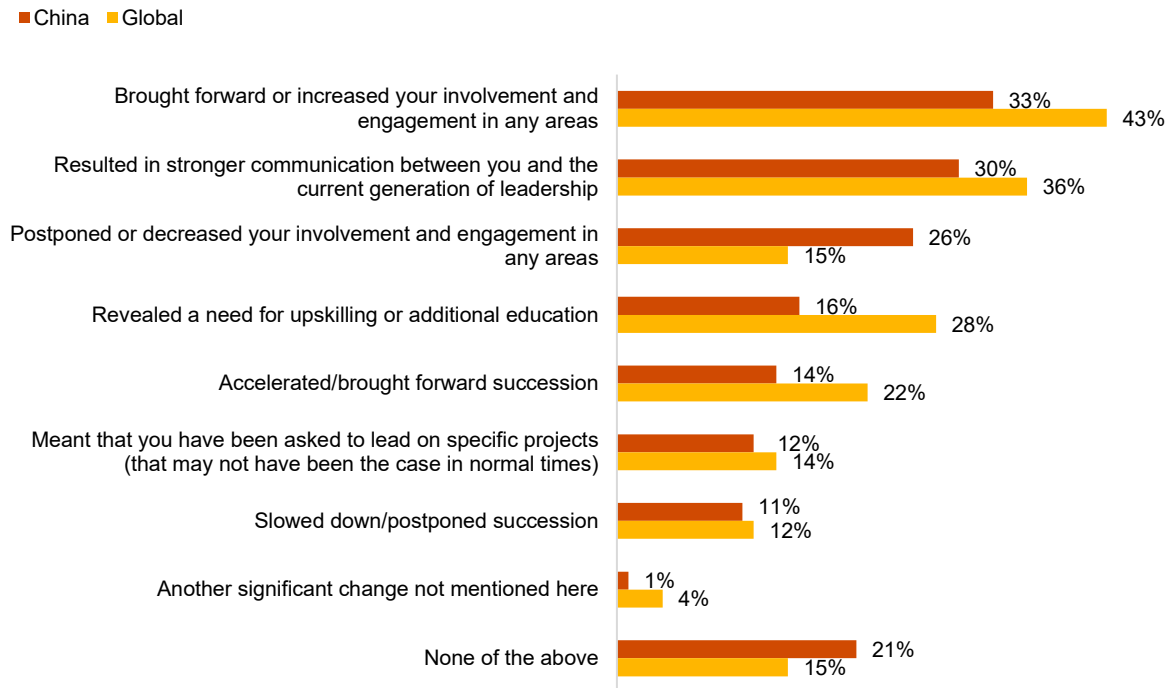
69% of Mainland Chinese NextGens

aspire to hold a leadership role, higher compared to their global counterparts.

Figure 4. Which of the following Family Business / Family Office roles, if any, would you like to have within five years?



Given the relative maturity of Mainland Chinese family businesses, Mainland Chinese NextGens expect to have more involvement in the future as the second generation. Looking into the future, a much higher proportion of Mainland Chinese NextGens (69%) aspire to hold a leadership role compared to their global counterparts (Global: 51%; Hong Kong: 61%).

Figure 5. Overall, the COVID-19 pandemic has:

With the pandemic still running its course, businesses see the need to shift from status quo. Transparency is of utmost importance to enable family businesses to stay agile and act with speed amid the precarious and fast changing environment. 30% of the NextGens in China say that the pandemic resulted in stronger communication with the current generation of leadership (Global: 36%).

Despite the need for an 'all-hands-on-deck' approach and a digital-forward mindset to mitigate the associated risks, the pandemic only brought forward 33% of China's NextGens' involvement or engagement (Global: 43%).

In fact, for 26% of the NextGens, the pandemic postponed or decreased their involvement in the family business (Global: 15%) indicating that the current generation took control navigating the pandemic. While having veterans at the helm allowed the business survival strategy to be shaped by experience, the limited involvement of the NextGens likely resulted in missed opportunities. The NextGens, many of whom are digitally native millennials, have the ability to draw from their exposure to new tech to contribute to a future-proof strategy, especially in terms of digital transformation.



However, the experience of the current generation is unlikely the only rationale for their prominence in steering the business through the pandemic and the diminishing involvement of the NextGens. As family businesses have grown beyond their initial startup stages, many have reached their limits on growing their business through internal resources. To ensure sustainable growth for future generations, family businesses need to bring in ‘talented outside leaders with fresh perspectives’ amid a more challenging environment.^v

While intergenerational succession by the eldest son is tradition among Chinese families, there are instances of deviation from the norm. To compete with their global counterparts, Chinese families are pushing toward a more commercial organisation structure in recent years by leveraging the expertise of trained executives, including sending their children abroad to gain Western management experience. As their family business’ operations become increasingly complex and proliferated, the NextGens may at times be quite disconnected from the current generation who are busy pursuing business success, often at the expense of weaker bonding with their children. Other times, the NextGens have identified opportunities outside of the family business that they prefer to pursue. Alternatively, some would rather work for themselves or in ‘fashionable’ industries such as banking, investment and technology.^{vi} These combined to explain why more Mainland Chinese NextGens (40%) would like to become entrepreneurs and establish their own business within the next five years (Figure 4).

“

Entrepreneurship is going to be a difficult journey. I chose to go on the harder path because of the challenge it takes.”

Jun Jun Lau, NextGen
In N Out Storage

Sustaining the family legacy

To continue the family legacy, the NextGens will need to step up to the plate and steer the business beyond a pure business growth mindset to a holistic one that addresses the three dimensions of family businesses.



Business (the engine)

The business needs to grow 10% every two to three years through organic growth, diversification or impact investing to serve the family interests.

Future focus: Develop the capabilities to drive digital transformation and capture opportunities in environmental, social and governance (ESG).



Family

A united family, supported by a strong constitution and governance, supports growth.

Future focus: Establish a generational contract to bolster succession planning and sustainable transformation.



Wealth

Adequate wealth reserves ensure that the family maintains or enhances its position.

Future focus: Family Offices can strengthen business prospects and foster asset diversification.

Implications

With growth essential to business survival, the NextGens will need to reassess both their family businesses and their own priorities while working with the current generation to progress further. The NextGens will also need to cement their own position in the family business in the wake of the pandemic and prove their mettle.





Enabling business
growth by going digital



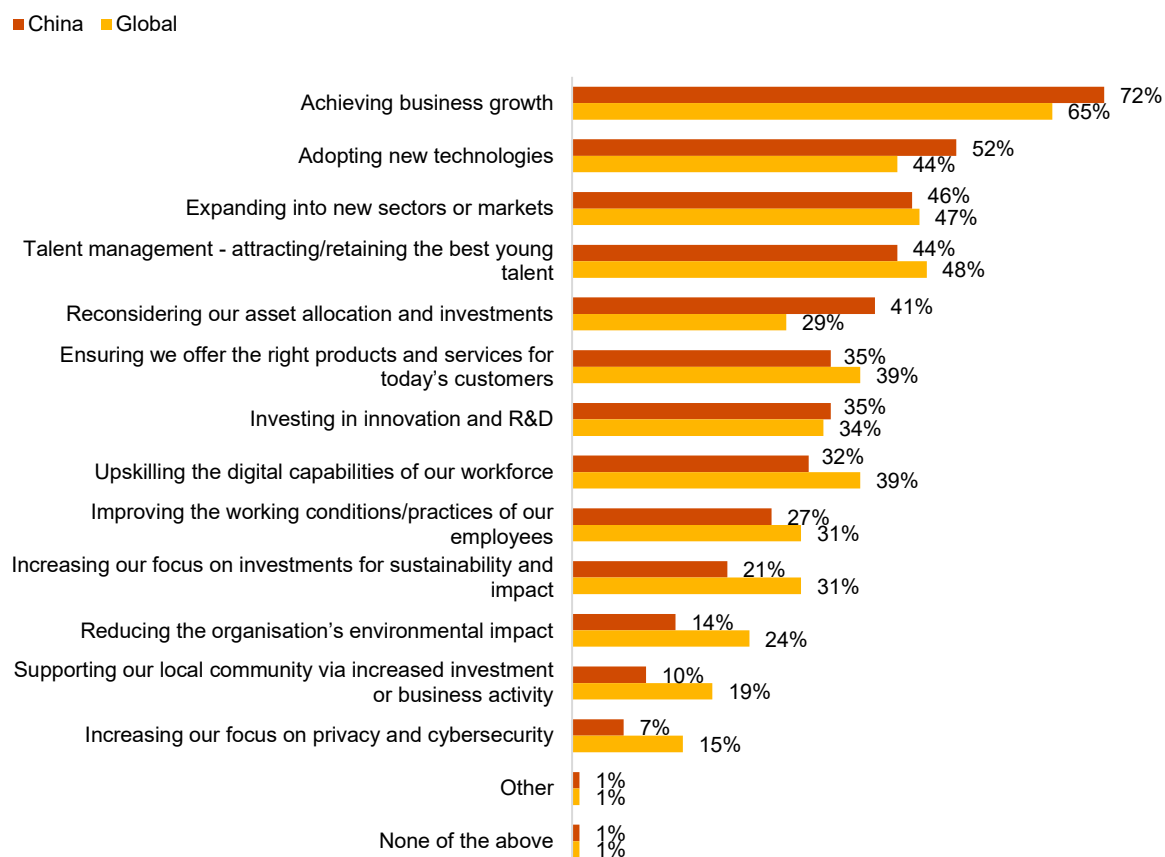
72% of Chinese NextGens believe that achieving business growth should be their company's priority over the next two years.

Chinese family businesses are focused on growth

Amidst the ongoing pandemic and geopolitical tensions, business survival has never been more precarious. To ensure survival, achieving sustainable growth in the New Normal is imperative; and the rule of thumb is that the business needs to grow by 10% every two to three years to ensure family wealth is kept at a constant level with generational growth.

Business priorities will determine the trajectory of the family business. 72% of Chinese NextGens believe that achieving business growth should be their company's priority over the next two years (Global: 65%) followed by adopting new technologies (China: 52%; Global: 44%).

Figure 6. From your own personal point of view, what would be your priorities for the company over the next two years?



This is aligned with the NextGens' own involvement in the family business. Chinese NextGens are actively engaged in achieving business growth (63%), ensuring they offer the right products and services for today's customers (48%) and expanding into new sectors or markets (41%), relatively similar behaviour to their global counterparts. With the pursuit of business growth on top of their mind, however, only 32% are currently adopting new technologies (Global: 44%) to drive business outcomes, while 47% are likely to do so in the future(Global: 36%).

Figure 7. In which areas, if any, are you personally actively engaged at present?



Figure 8. In which areas, if any, are you personally likely to be engaged in the future?





Considering the importance of sustaining the business during a turbulent global economic environment, it is unsurprising that business growth is the NextGens' primary focus. Among those engaged in or likely to be engaged in their respective areas, 35% feel they can personally add the most value in achieving business growth (Global: 31%) while only 11% believe the same for adopting new technologies (Global: 13%). With this discrepancy in engagement and ability to add value, we can see that there are more learning opportunities for the NextGens, especially in relation to technology, market expansion, and matching products and markets.

Figure 9. In which area do you feel that you can personally add the most value?



Supporting business growth with digital transformation

While business growth is critical for survival, it cannot be sustained as an isolated focus. To ensure business growth, family businesses will need to re-strategise and improve operations through various means, including reducing time to market and improving solution quality among others. In order to ensure long-term growth, family businesses should embrace digital transformation as it is the preferred experience for a third of customers.^{vii}

Only **14%** of Chinese NextGens will prioritise adopting new technologies,
 while **4%** will do the same for digitally upskilling the workforce.

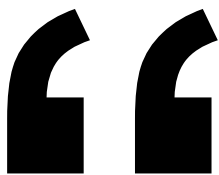
Figure 10. Which of these would be your top two priorities?



Despite the need for NextGens to step up and take the reins on digital transformation, they plan to stick to the status quo when determining their own priorities for the family business. Only 14% of Chinese NextGens will prioritise adopting new technologies, while 4% will do the same for digitally upskilling the workforce.

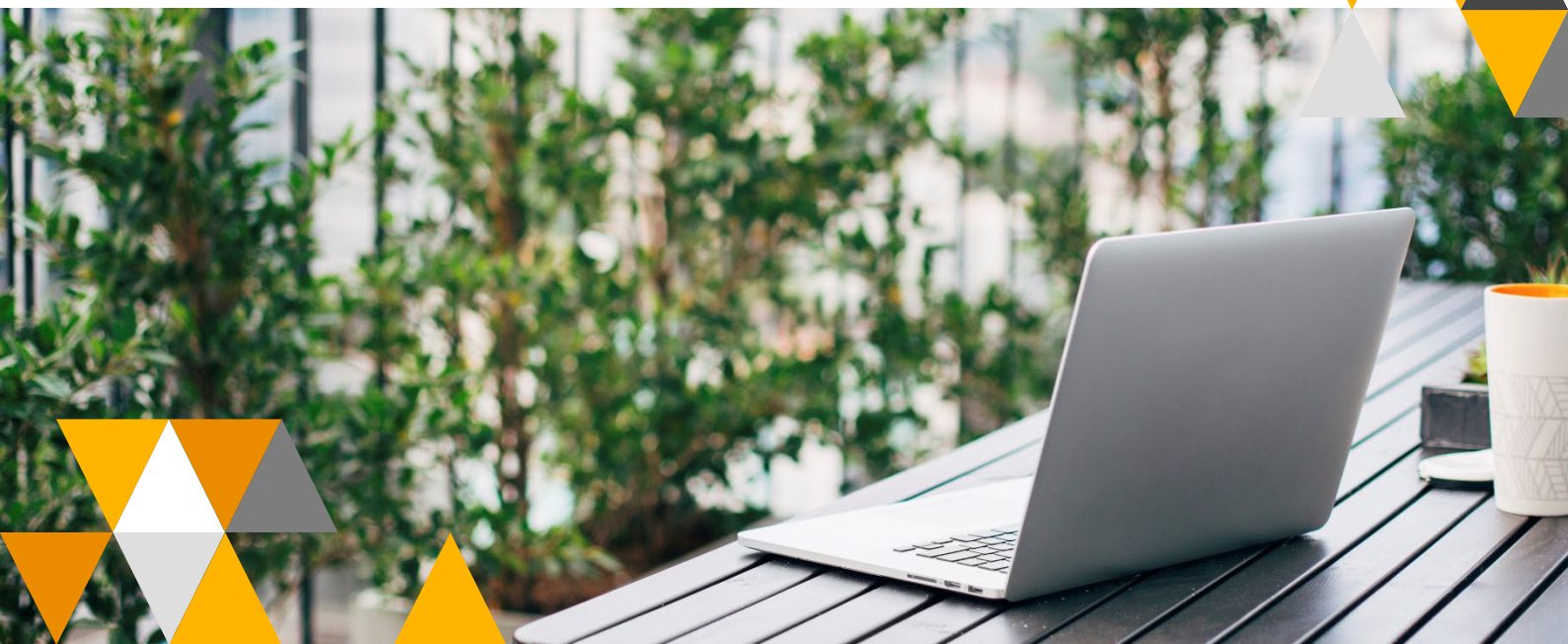
For NextGens, most believe that achieving business growth (China: 58%; Global: 44%) and expanding into new sectors (China: 23%; Global: 25%) would be their top two priorities. Only 16% (Global: 11%) and 14% (Global: 13%) of Chinese NextGens would prioritise investing in innovation and R&D and adopting new technologies respectively.

The NextGens need to take initiative to reconcile business priorities and their other priorities as future business leaders. When given sufficient time and resources, they should focus on enhancing their digital proficiency and ability to innovate in order to transform the existing family business or set up new ventures with or without family support. However, the pandemic likely pushed this necessary business transformation to the back burner as the focus shifted to survival.



Crossover, technology, arts and creativity are at the heart of our products. I think nowadays everyone needs to think about and understand technology.”

Yinmeng Liu, NextGen
OUTPUT



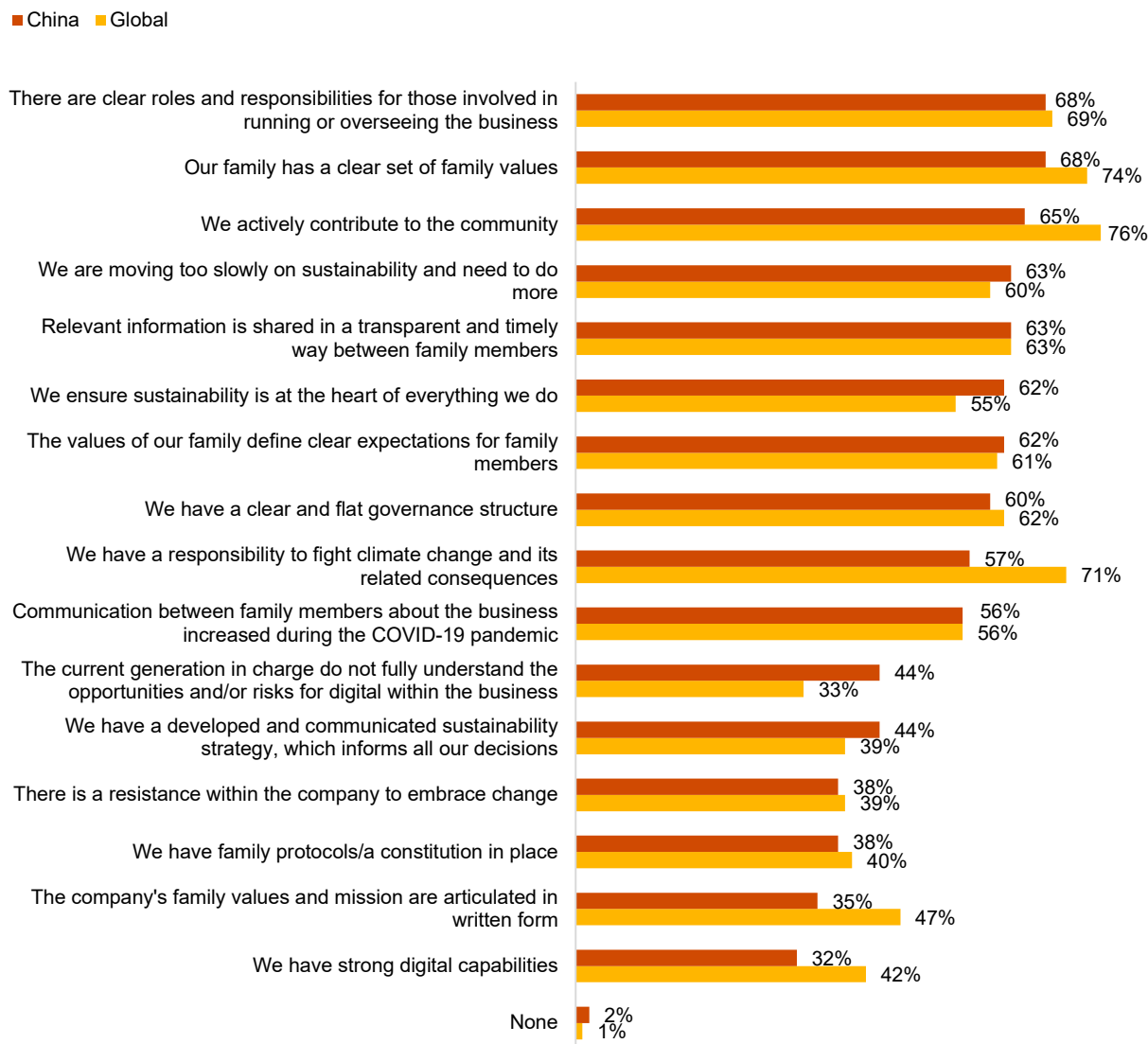
Tech enablement gap

With the pandemic causing a paradigm shift in business practices, new technology adoption and digital transformation have never been more important. However, such effects seem to be relatively mild or lagging among Chinese NextGens compared to their global peers, where only 15% said that their engagement in adopting new technologies has been brought forward as a result of COVID-19 (Global: 19%), 4 percentage points less than those who said the same for achieving business growth.



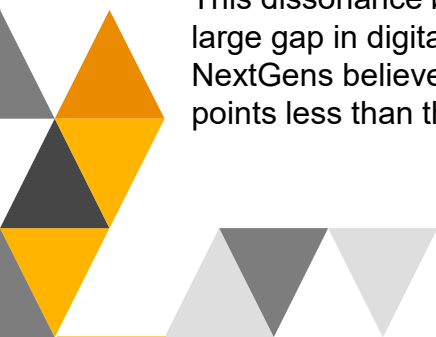
44% of NextGens agree that the current generation in charge does not fully understand the opportunities and/or risks for digital within the business.

Figure 11. Percentage of NextGens who agree with the following statements



However, this may be a result of the lack of understanding the impact digital processes can have on the bottom line among current generation leaders. 44% of NextGens agree that the current generation in charge does not fully understand the opportunities and/or risks for digital within the business (Global: 33%).

This dissonance between achieving growth and digital transformation has led to a large gap in digital capabilities in the marketplace, where only 32% of Chinese NextGens believe their family business has strong digital capabilities, 10 percentage points less than their global counterparts (Global: 42%).



Instilling a digital mindset

With this gap in the understanding and experience of the current generation, it is up to the NextGens to take the reins and close this gap to ensure that the family business is future proof with relevant technologies. In order to do so, the NextGens need to develop their willingness and skills in this area through various means.



I'm constantly finding new innovations to help transform the family business. Leverage that experience and exposure, and bring it back to the traditions, to help transform and grow it. Someone, either me or within the company have to be the one to look for new technologies anyway.”

Vincent Fong, NextGen
Raze Technology Limited

Considering the heightened importance of digital transformation and diversification since the onset of the pandemic, the NextGens will need to develop their skills in this area. They will need to shift their focus from traditional degrees of business, maths and finance to a broader range that includes IT, law and science, among others, to leverage opportunities arising from the paradigm shift in the coming years. One way to diversify expertise is to incorporate it in the business succession plan through education requirements.

Implications

While ensuring business survival is essential at times of unprecedented challenges, digital transformation seems to be one of the most effective and time-tested ways to enable long-term growth for family businesses. The NextGens will have the opportunity to leverage their skills as the digitally native generation to drive operational change. To facilitate this transformation, they need to step up to plate and win the buy-in of the current generation.

Creating a sustainable family business that is here to stay



With achieving growth as the top business priority, the increasingly urgent need for business enterprises to combat ESG-related risks can in fact create opportunities to support the business. PwC China's 25th Annual Global CEO Survey China Report indicates a higher level of commitment to achieving net-zero goals among Chinese CEOs compared to their global counterparts.^{viii} Additionally, last year's Family Business Survey demonstrates a strong willingness among family businesses to deliver wider social impact, especially through philanthropy.^{ix}

However, ESG strategy is more than reducing greenhouse gas (GHG) emissions and giving back to the community through donations. Adopting a comprehensive ESG strategy has benefits beyond improved reputation. A meta-study from the NYU Stern Center for Sustainable Business and Rockefeller Asset Management¹ indicates that companies with sustainability initiatives drive better financial performance as a result of improved risk management and innovation, among other factors. With this, it comes with no surprise, that they also found that ESG investing provides downside protection, especially during social or economic crises. However, it should be noted that without a strategy, ESG disclosure does nothing to drive financial performance.^x

To ensure the legacy they are to inherit is built on a sustainable foundation with the ability to endure challenges of the future, NextGens need to leverage their strength in innovation and ask themselves how their business can shift from a linear, take-make-waste, model to a circular one.



Waste is resources misplaced. By utilising them in innovative ways and by leveraging hi-tech, they can function perfectly as the raw materials for new products.”

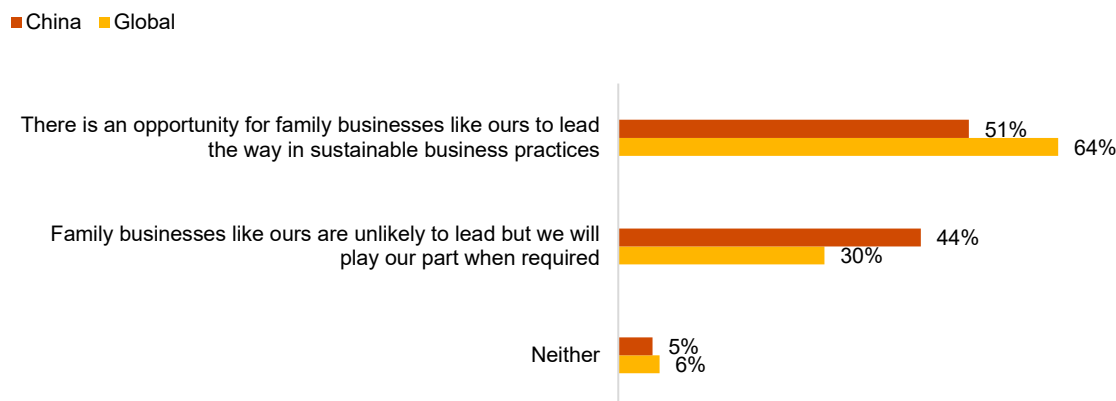
Sissi Chao, NextGen
ReMakeHub

¹ The meta-study examines the relationship ESG activities at organisations have with their financial performance in over 1,000 research papers published between 2015 and 2020.

Family businesses have great potential to lead the ESG journey

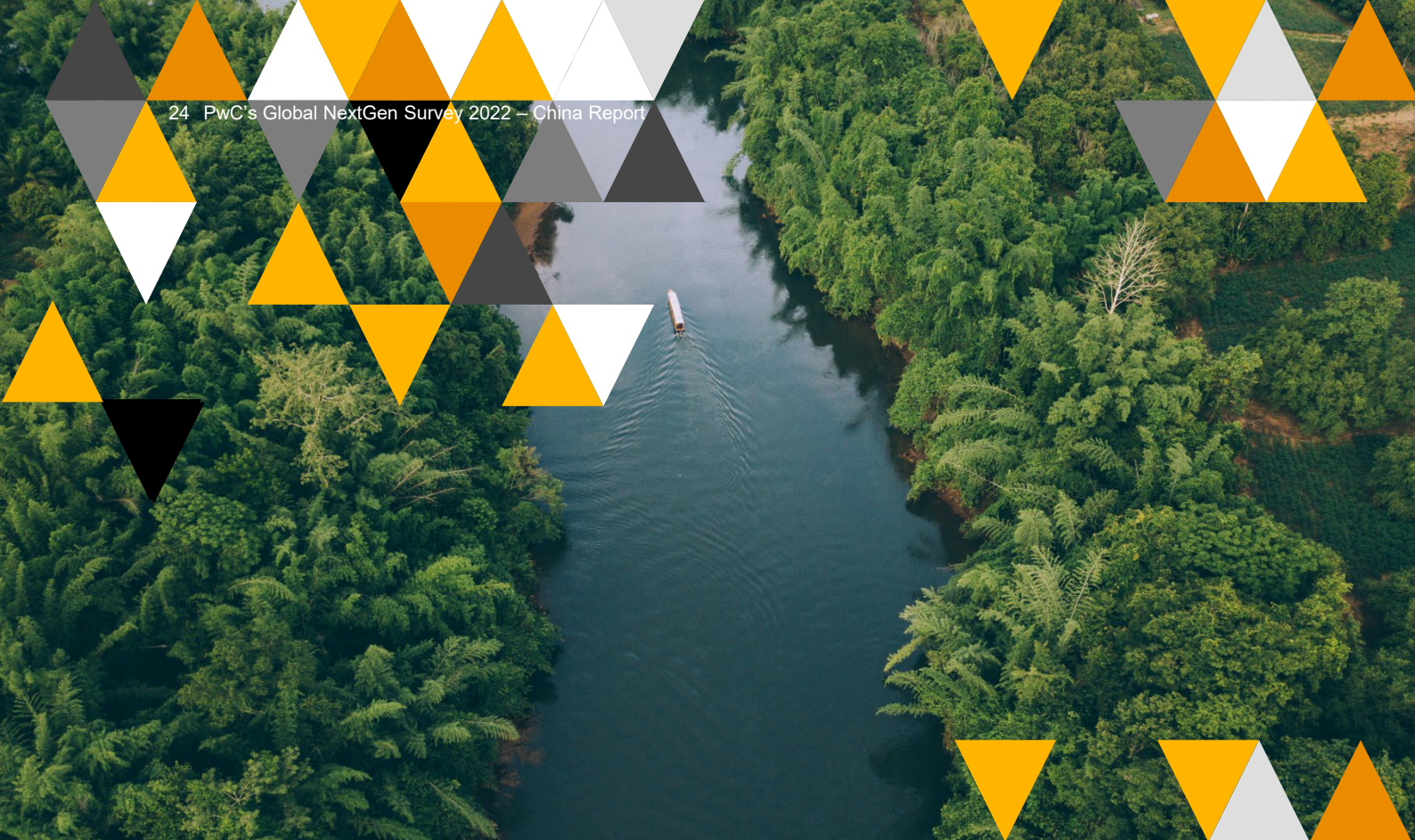
The number of private enterprises in China has quadrupled in the past decade, accounting for 92.1% of all enterprises in 2021.^{xi} A significant portion of which are family-owned, bringing family businesses to the forefront of delivering change and sustained outcomes.

Figure 12. Which of the statements below best describes the way you feel about the role of your family business today?



62% of NextGens in China say they ensure sustainability is at the heart of everything they do.

NextGens see the potential for family businesses to lead the path to sustainability with their influence in the business world. More than half of those surveyed in China (51%; Global: 64%) believe family business can lead the way in sustainable business practices. They also feel the urge to do so with 62% in China saying they ensure sustainability is at the heart of everything they do (Global: 55%) (Figure 11).



This trend aligns with China's determination to achieve carbon neutrality before 2060 and a surge of activity surrounding ESG reporting – from regulators, exchanges and investors.^{xii} When it comes to investment prospects, global ESG assets are projected to surpass USD50tn by 2025, accounting for one third of total assets under management.^{xiii}

As such, Chinese NextGens have the opportunity to leverage the precedent set by both the Central Government and local governments to drive ESG initiatives, especially in terms of the 'environment' part of ESG. With China holding the presidency and hosting the UN Biodiversity Conference (COP 15) in Montreal in December 2022, the country is in the driver's seat for climate change initiatives. Among other initiatives, Hong Kong will require listed companies to publish Task Force on Climate-related Financial Disclosures-aligned climate-related reporting by 2025. Chinese NextGens, especially those in Hong Kong, can leverage this opportunity to promote long-term value creation in their family business by spearheading ESG reporting and advancing their ESG ratings. The favourable policy environment and the expanding market size make it an opportunity too important to miss.



Closing the say-do gap by examining ESG-related realities

As businesses are struggling with existential challenges imposed by the lingering pandemic, and the geopolitical and macroeconomic uncertainties, among other threats, the NextGens find it difficult to concentrate on sustainability when business survival and growth are the need of the hour. 63% of those surveyed in China think they are moving too slowly in this area and need to do more to further this cause (Global: 60%).

Before the NextGens can translate their aspirations into business activities and contribute to their family business' endeavour towards sustainability, they need to ask themselves the following questions to identify the discrepancies between their goals and current operations.

63% of NextGens in China think they are moving too slowly on sustainability and need to do more.

Does my family business have an ESG strategy in place?

44% of Chinese family businesses have a developed and communicated a sustainability strategy, which informs all their decisions, compared to just 39% who said the same globally (Figure 11). However, relative to the 62% who have put ESG at the heart of their operations, this figure still reflects the general lack of an actionable, well-defined strategy, making it difficult for ESG-related initiatives to climb up the business agenda.

Has ESG been a key focus area for me?

Despite being at the heart of the majority of family businesses, ESG-related factors are not prioritised among the NextGens, with only 14% citing reducing environmental impact as a priority and 21% aiming to increase their focus on investments for sustainability and impact (Figure 6). Supporting the local community via increased investment also ranked at the bottom of the priority list (10%) (Figure 6). While the NextGens are prioritising growth and new technologies, particularly amid a more challenging post-pandemic environment, there is an opportunity for them to create sustainable value for their stakeholders through a stronger ESG focus.

How engaged am I in ESG-related matters?

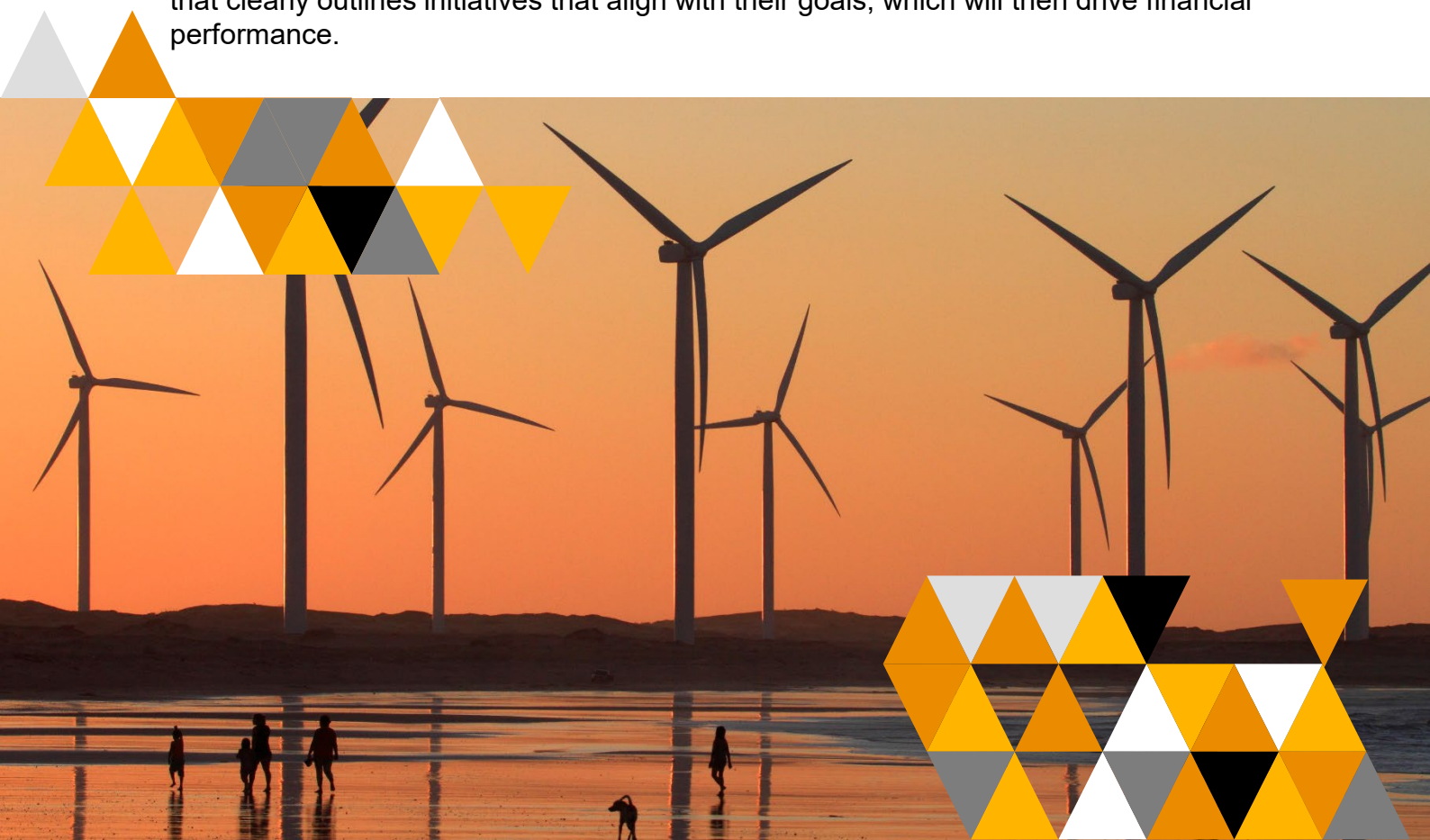
Currently, the NextGens are not actively engaged in ESG-related matters within their organisations. Only 17% are involved in reducing environmental impacts while 23% are involved in sustainable and impact investing (Figure 7). This may explain the low ranking of such matters on NextGens' priority list. The silver lining is that more of them expect to be involved in such areas in the future.

How can I contribute to my organisation's ESG strategy?

While ESG is a relatively new concept, there are numerous frameworks and guidelines in use or under development in different markets. For NextGens, there is still a lot of room to learn and upskill in this area as only 23% of them recognise the need to gain additional expertise or experience in ESG to prepare for their future role in the family business (Figure 16). However, the NextGens' great learning potential enables them to lead the efforts in developing ESG strategies over the current generation.

Implications

With the NextGen's belief in the role family businesses can play in driving sustainability, there is the potential for China's NextGens to help deliver sustainability outcomes ahead of their global counterparts. However, to realise this vision, the NextGens need to develop their skills and knowledge in ESG. Following which, they will have the expertise to develop a comprehensive and sustainable ESG strategy that clearly outlines initiatives that align with their goals, which will then drive financial performance.



Are the NextGens
ready to take up the
baton?





China's family businesses are relatively young. After more than four decades of reform and opening-up, China's family businesses are gradually ushering in the peak of intergenerational succession. But the transition process can be complicated and is not always successful. Only 16% of family businesses globally have managed to successfully pass the control to the fourth generation.^{xiv}

While a well-structured succession plan is fundamental to ensure the smooth transition of power, more factors need to be taken into consideration.



Develop a succession plan with consensus between generations

As the pandemic continues to disrupt everyday life and business operations, it also alerts family firms about the importance of having a robust succession plan in times of uncertainty. More than half of NextGens in China (59%; Global: 61%) report the readiness of a succession plan within the family. When we asked the current generation the same question in our Family Business Survey 2021, the figure was only 19% in Mainland China and 20% in Hong Kong. The COVID-19 pandemic and the resulting uncertainties around business continuity was likely the driving force for this change, especially as Hong Kong and Mainland China saw high mortality rates from the rest of the world at the beginning of the pandemic. Due to travel bans, the pandemic has also enabled family members to bond together and making it more likely that succession planning would come up as a topic of their discussion.

NextGens might not be fully informed on existence and details of the plan. 36% in China are not involved in the development process while another 25% don't know if there is a plan in place.

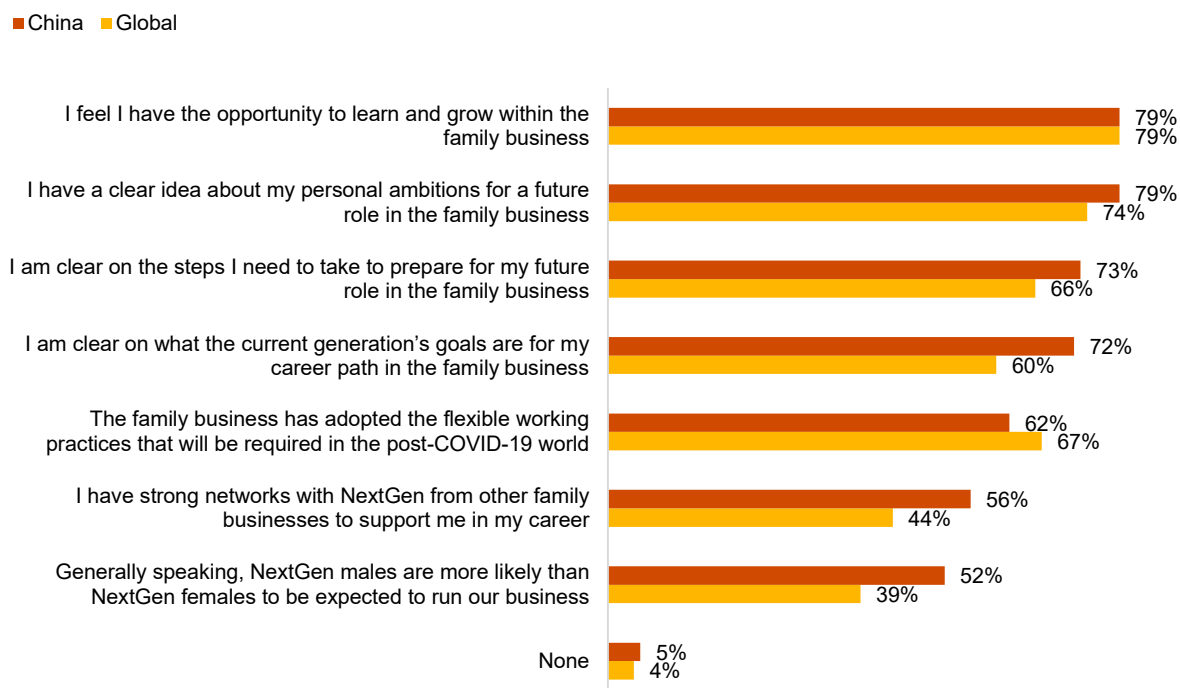
59% of families have a succession plan in place this year.

19% of families in the Mainland and 20% in Hong Kong had a succession plan in place in 2021.

The lack of transparency can create a mismatch of expectations. It is essential to acknowledge that succession requires the agreements and efforts from both the current generation and NextGens. While both generations need to work closely on the development process, it is up to the NextGens to speak up about their vision for the business and negotiate the plan in detail.

Welcome feedback from different stakeholders

Figure 13. Percentage of NextGens who agree with the following statements



As the future leaders, NextGens are very confident that they can learn and grow within the family business (China: 79%; Global: 79%). They believe they have a clear perception of their personal ambitions (China: 79%; Global: 74%) and the current generation's goals for their career path (China: 72%; Global: 60%). As such, this has given them the confidence on the next steps they need to take to prepare for their future roles (China: 73%; Global 66%).





While NextGens are feeling positive about their future within the family business, they need to further align their thoughts and expectations with other family members by actively seeking their feedback. With strengthened communication during the pandemic, it is time for NextGens to initiate timely and transparent conversations with other stakeholders to learn and grow within the family business.

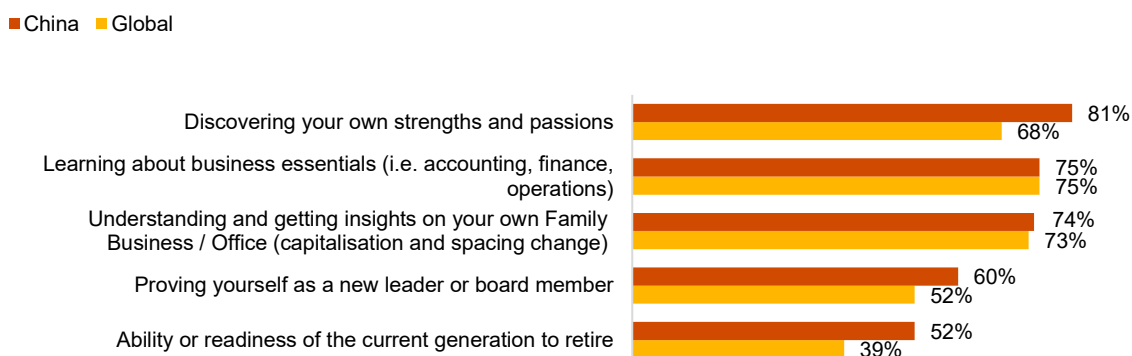
“

I need to welcome criticism from different people within the family, and think and look at questions from different angles.”

Vivian Zhang, NextGen
Jiangzhong Food Therapy

Build trust through demonstrated capability and innovative spirit

Figure 14. Percentage of NextGens who find the following aspects of succession easy



When it comes to different aspects of succession, NextGens in China believe it's easy to learn about business essentials (China: 75%; Global 75%), understand and get insights on the family business (China: 74%; Global: 73%), and discover their own strengths and passions (China: 81%; Global: 68%). This has given them the confidence to prove themselves as a new leader or board member (China: 60%; Global: 52%).

The biggest difficulty for them is that the current generation is not ready to retire yet (China: 47%; Global: 57%) as many founders are still in their prime age given a relatively young history of entrepreneurship in China. 38% of NextGens in China also sensed a resistance within the company to embrace change, which is a common phenomenon for family businesses globally (Global: 39%).

To win the trust of the current generation and the wider company, NextGens need to demonstrate that they have the skills and vision to lead the business to success. With their strength in digital culture and their passion for technology, working on innovative areas such as digital transformation can be a good starting point. It is crucial to communicate their achievements and ideas for future success to the current generation and get their support at every stage of its implementation.

Identify the ESG gap and strive for long-term development

Education is a traditional way for NextGens to gain the knowledge and skills they need to run the business. Chinese NextGens excel in this area with 99% holding a university degree or above, 10% higher than their global peers. 17% of them also hold an MBA or doctorate.

Figure 15. Areas of focus for NextGens with a university/bachelor's degree or higher

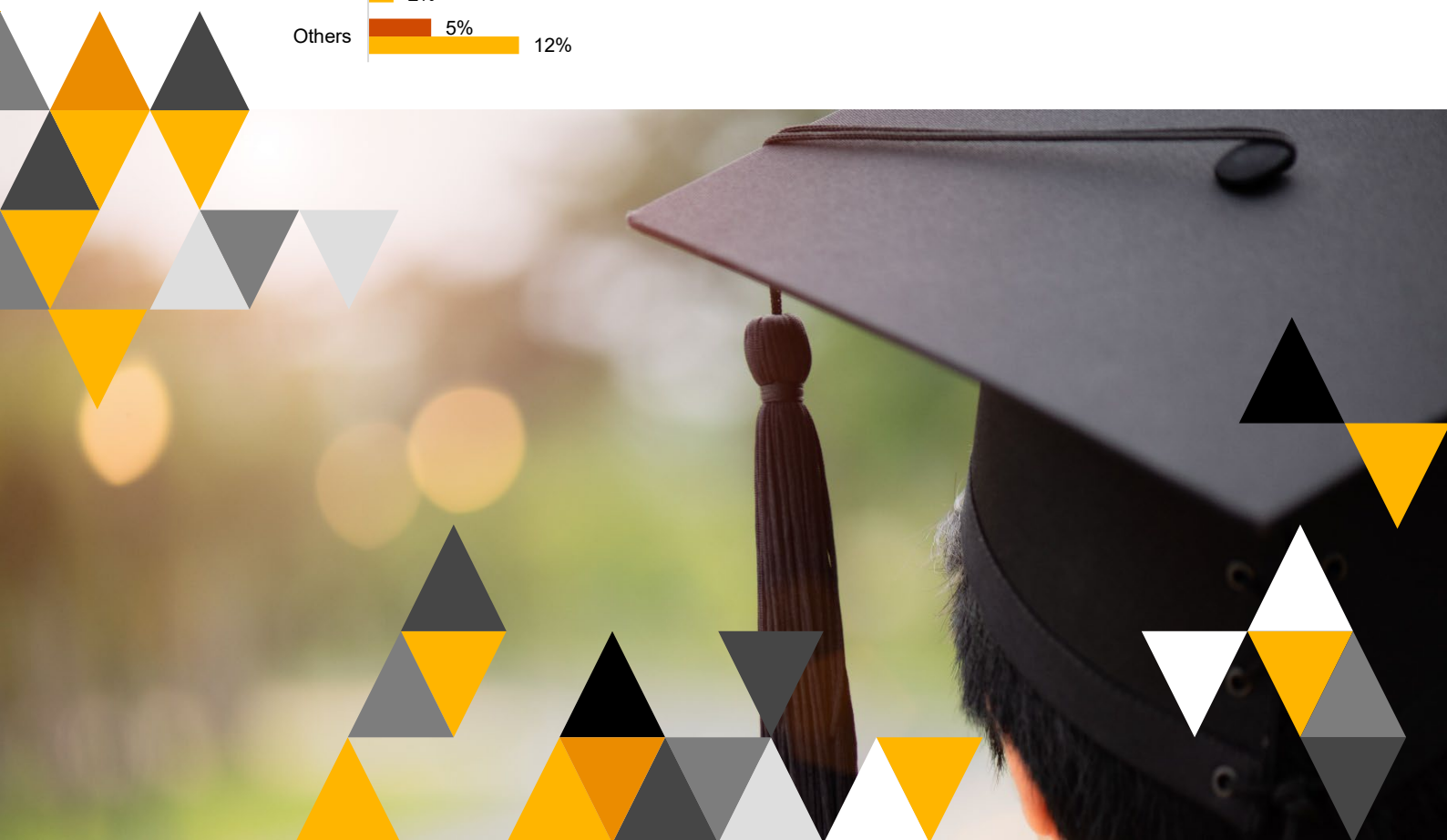
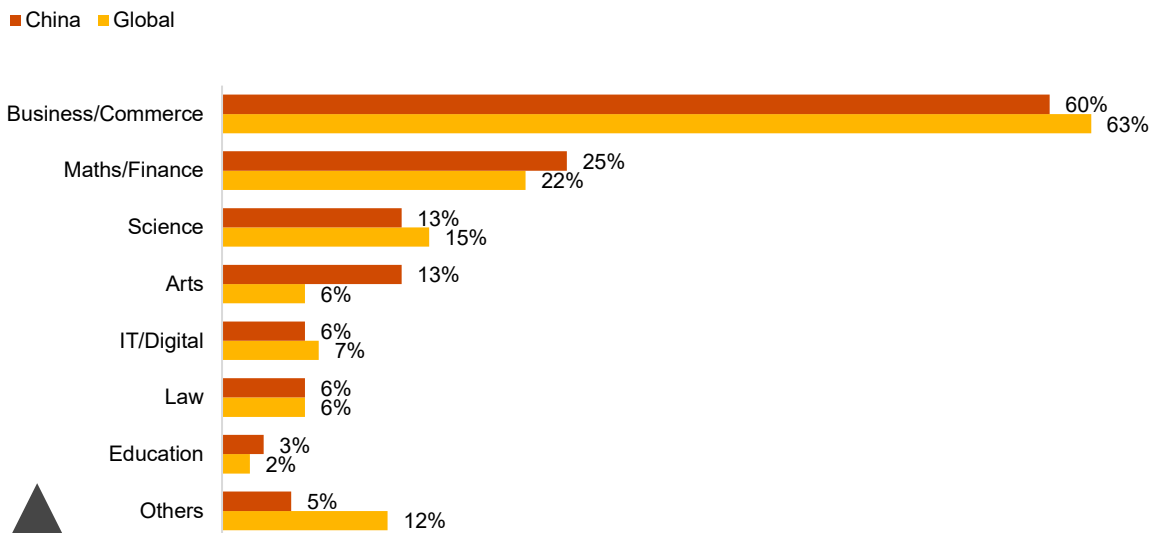
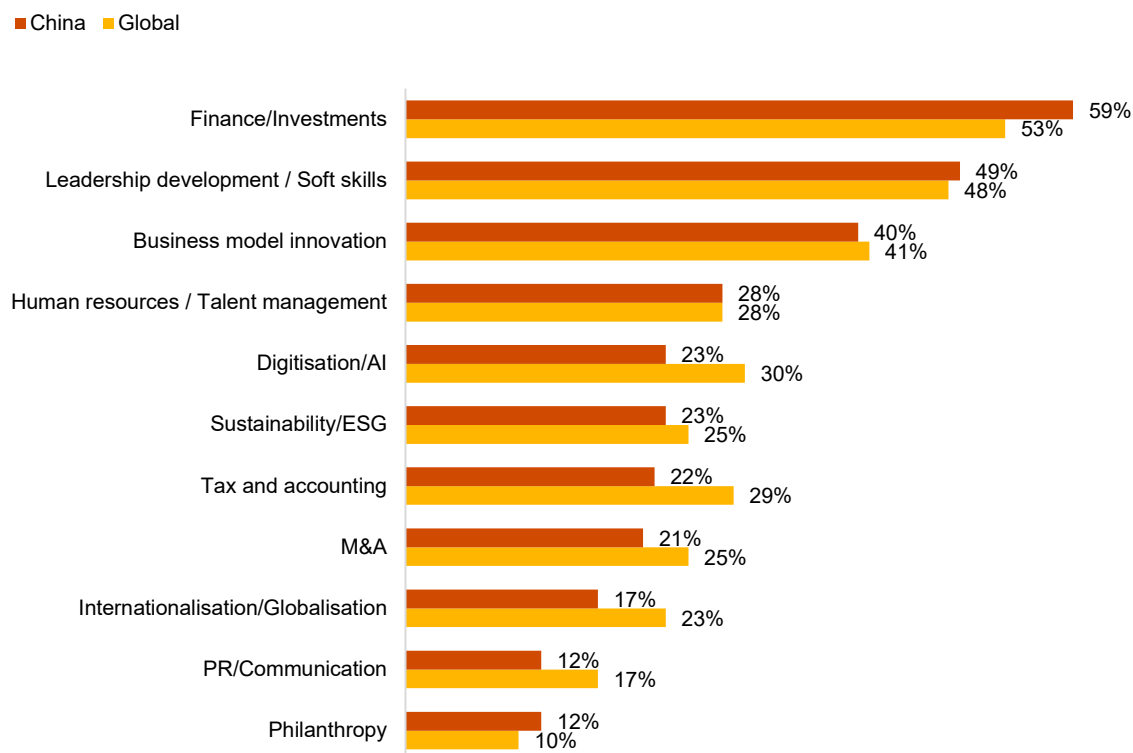


Figure 16. In which areas do you need to gain additional expertise/experience to prepare for your future role in the family business?



But more education doesn't necessarily mean having the right skill mix to future-proof the family business. While technology and sustainability are considered critical areas for future growth, the NextGens' qualifications still concentrate on business (60%) and finance (25%). Moreover, when asked about the additional expertise they would like to acquire, majority of the respondents cited business-related skills such as investments (59%) and leadership development (49%). On the other hand, only 23% selected digitalisation/AI and sustainability/ESG respectively.

ESG is no longer just for regulatory compliance. It has increasingly become an integral part of business strategy and an engine for long-term business growth. While NextGens feel the urgency to do more for a sustainable future, they need to gain additional knowledge to ensure they are making the right moves and incorporate ESG considerations into their decision-making process from day one of their leadership. Family businesses should develop their ESG strategy to create value and competitive advantage as well as attract potential investors.

Review family values and constitution to strengthen family ties

A strong family constitution not only brings order to the family, but also strengthens both the family's leadership within the business and the business' position in the market. At the core of the family constitution lies family values, which strengthens family ties, brings harmony, and guides family behaviour and decision-making. It is especially important to have a clear set of family values and constitution in place to steer the business through difficult times, especially during the new waves of the pandemic.

68% of family businesses in China have a clear set of family values (Global: 74%) that defines expectations for family members (China:62%; Global: 61%), yet these are rarely in written form (China: 35%; Global: 47%). Only 38% of them have a family constitution in place (Global: 40%).

NextGens need to study and follow their families' constitution to ensure the integrity of their behaviour and protect their families' reputation. While a written constitution is absent from many families, NextGens can assist the current generation in reviewing family values and protocols, and provide inputs with their own observations and insights from a different perspective. By developing or reviewing a family constitution together, both generations can ensure it reflects the latest consensus and builds the foundation for a long-lasting business.

Implications

The NextGen will eventually have to take up the mantle and lead their family businesses. While the process and timeline may have been unclear prior to the pandemic, it is increasingly more defined in recent years. As such, the NextGens will have a guide and succession plan to facilitate their transition to power. As they assume their leadership position, to ensure the long-term success of their family business, they will also need to adhere to the family values and constitution, drive digital transformation to sustain business growth, and focus on ESG strategies to create value and competitive advantages.

About the NextGen survey

PwC's Global NextGen Survey 2022 is an international market survey among next-generation members in family businesses. The goal of the survey is to get an understanding of what NextGens are thinking on the key issues of the day, what role they are playing and what roles they think they should play. The survey was conducted online in collaboration with The Family Business Network (FBN). There were 1,036 interviews in 68 territories, between 8 October and 12 December 2021. The China report focuses on the perspectives of 81 NextGen respondents in China. For the purposes of this report, 'China' refers to the People's Republic of China, including Hong Kong SAR survey respondents.

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