

Women in leadership

The family business advantage

Special report based on a global survey
of the world's largest family businesses

Family Business Center of Excellence



Building a better
working world



About our survey

This report is based on survey results gathered from 525 of the world's largest family businesses. The responses represent 25 of the largest family businesses in each of the top 21 global markets – Australia, Belgium, Brazil, Canada, China, France, Germany, the Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), India, Indonesia, Italy, Japan, Mexico, the Netherlands, Russia, South Korea, Spain, Switzerland, Turkey, the UK and the US. Valid Research, an independent research institute in Germany, used a questionnaire and conducted phone interviews in the specific country language with senior ranking family business leaders. Based on the number of companies contacted to achieve our desired sample size, we achieved a 42% response rate.

Coming soon ...

We are releasing a series of in-depth explorations of the key topics covered by this survey. The future insights will delve more deeply into the data for each of the following topics:

- ▶ **Succession**
- ▶ **Governance**
- ▶ **Communication and resolving conflicts**
- ▶ **Branding**
- ▶ **Corporate social responsibility, philanthropy and sustainability**
- ▶ **Cybersecurity**

Find out more and download the executive summary of the survey at ey.com/stayingpower.

A differentiator for family businesses

The largest, longest-lasting family businesses in the world are moving women further and doing so faster than their non-family counterparts. Why is this important? Because these businesses are the anchors of the world economy. Family businesses as a whole create an estimated 70%-90% of the global GDP¹ and 50%-80% of jobs in the majority of countries worldwide.² They employ vast numbers of people, dominate key markets, and are intrinsically important to their local communities and global economies – and have been for generations.

In 2014, EY and Kennesaw State University teamed to survey these giants of the economy – 525 of the largest and oldest family companies in the world. These businesses average US\$3.48b in sales and 12,000 employees, in an average of 15 countries and five industries.

How they operate shows a different, more enduring and sustainable path forward for businesses and for the world economy as a whole. Family businesses are designed to outpace the competition over the long haul. And all businesses would be well-served to follow their example, especially when it comes to how they value women leaders.

We'll tell you why.

“The consummate success story for entrepreneurs is in family business. Their natural focus on inclusiveness, on longevity, on sustainability, on growth – keeping the best interests of the family and the business in mind at all times – has created businesses that prosper for generations. These are businesses that welcome women into leadership, and it’s no coincidence that they also are innovative, flexible, focused and growing for centuries. They are a model for stewardship – for handing over a business that is better to those that follow them.”

Carrie Hall, EY Americas Family Business Leader

In our survey – *Staying power: how do family businesses create lasting success?*²³ – we found some exceptional results.

Highlights:



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These family businesses average about five women in the C-suite and four women being groomed for top leadership positions.



55%

have at least one woman on their board.



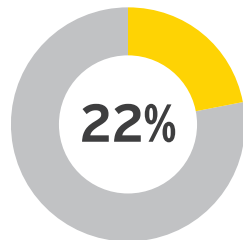
41%

report that female family members have grown more interested in joining the business over the past three years.

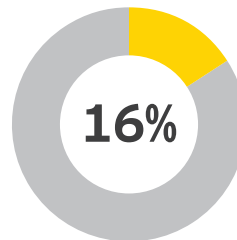


70%

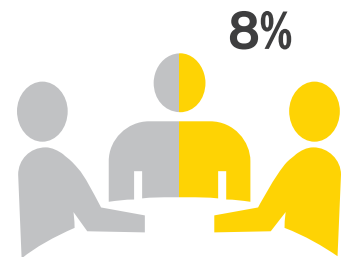
of family businesses are considering a woman for their next CEO, and 30% are strongly considering a woman for the top spot.



of the average family company's top management team is composed of women.



of their board members are women (which is, on average, more than one woman per board).



of their boards have women as at least half of the members.

These findings beg further consideration, particularly when we contrast them with overall global business statistics. For instance, the worldwide percentage of women on corporate boards stood at only 12.7% at the end of 2013.⁴ Women's participation in top management was a similar 12.9% at the end of 2013, and the proportion of women CEOs worldwide was 3.9%.⁵ In fact, among chief executives of firms in the S&P 1500, there are four male CEOs named John, Robert, William or James for each woman CEO, which the *New York Times* found noteworthy enough to feature in an [Upshot](#) column in early March 2015.

Our findings about the world's largest family businesses become even more compelling when you realize that family businesses are included in almost all of the global statistics about women in business. It is reasonable to conclude the data would diverge even more if we could separate the family business data from the non-family businesses worldwide.

Accelerate women, accelerate business

A wealth of research exists to demonstrate that having women in leadership and strategic roles makes economic sense for businesses. It's been consistently shown in numerous studies that more women in leadership means better financial and all-around performance.

A few examples:

- ▶ Companies with more women in leadership increase focus on corporate governance, corporate responsibility, talent dynamics and market acuity.⁶
- ▶ Publicly listed companies with women on the board tend to outperform those without in such key metrics as share price, return on equity, net income growth and price-to-book value.⁷
- ▶ A gender-balanced board is also associated with better corporate social performance in community, customers, environment and supply chain. And these activities improve business outcomes in areas such as risk management, corporate and brand reputation, and recruitment and retention.⁸

But despite reams of research and some progress, the fact remains that workplace gender parity continues to be a challenge around the globe. Family business may offer a path forward for all businesses seeking to achieve gender parity within their leadership ranks, and in turn, improve their economic performance.

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Women in family business: not just a family affair

Our research shows that family businesses believe in the value of women in leadership overall, not only women family members. For instance, while the companies in our survey averaged 1.14 women family members in leadership (i.e., C-level positions/officers of the company, including vice presidents), they also averaged 3.5 women in the C-suite who were not family members. Furthermore, they are grooming an average of four women for these top leadership positions: one family member and three non-family members.

What is it about the world's largest and longest-lasting family businesses that has led them to embrace women in leadership?

In this executive brief, the first in-depth examination of women leaders in family business, we will focus on this phenomenon. Overall, our analysis suggests that inherent traits of successful family businesses that contribute to their long-term success also create an environment that's more welcoming and conducive to the development of women leaders.

The formula: role models + long-term thinking + inclusive environment = women in leadership

- ▶ **Role models.** Family businesses that tend to have women in top leadership in the C-suite and on the board offer role models to less-senior women and clearly demonstrate that moving up the ranks and assuming leadership positions are possible.
- ▶ **Long-term thinking.** Family businesses tend to think in very long time horizons. The ultimate goal, typically, is a sustainable enterprise that serves the family and the business well, using growth as the means to that end. This long-term thinking and longevity contribute to the erosion of conscious and unconscious bias, making space for women at the top.
- ▶ **Inclusive environment.** Family businesses balance the interests of the family with the needs of the business by emphasizing cohesiveness, inclusiveness and commitment to the well-being and wealth of the family and the family enterprise, including non-family employees. In short, people – not just profits – matter. This is the kind of environment in which women thrive.

The power of role models

The more women there are in the C-suite, the more willing family businesses are to consider a woman for CEO and to groom women for C-suite roles.

Family businesses offer a strong environment for developing women leaders because women can see other women already flourishing at the top of successful enterprises.

When there are women in positions of power, it inspires other women to follow them into leadership roles. We see that clearly in the world's largest family businesses, as they not only average about five women in the C-suite already (22% of the average participant's top leadership team, versus 12.9% of women in top leadership overall⁹), but also are grooming an average of four women for these top leadership positions.

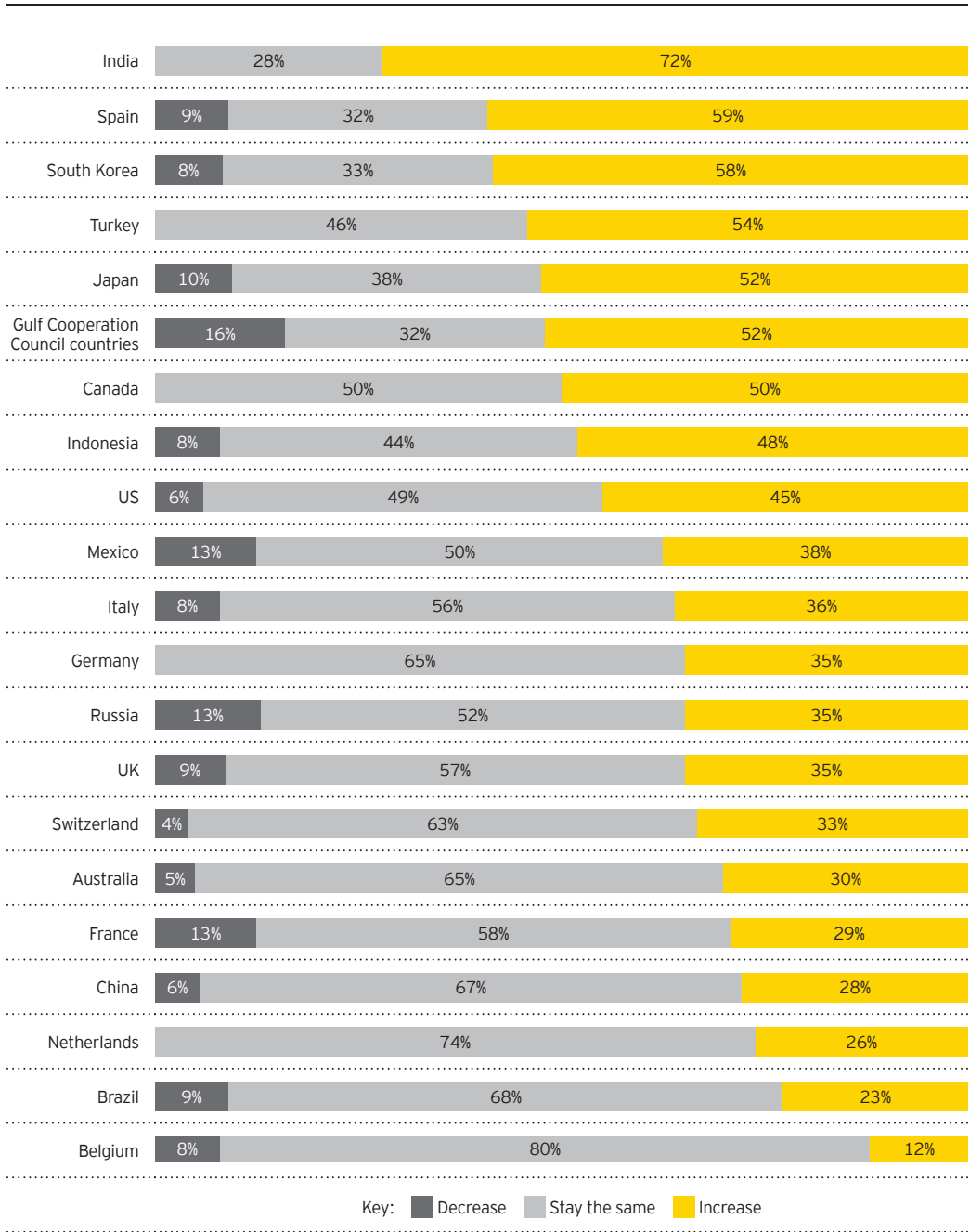
And according to our survey,¹⁰ the more women there are in the C-suite, the more willing family businesses are to consider a woman for CEO and to groom women for C-suite roles. (The number of women in the C-suite accounted for 27% of the variance in the company's willingness to consider a woman for the next CEO.¹¹) That is not just lip service – respondents considering a woman for the next CEO have already taken steps by identifying and vetting women candidates.

By sheer force of example, these family businesses show women in their companies the path to leadership. This matches findings from a survey undertaken by EY's *Women. Fast forward* platform, which is designed to help accelerate the achievement of global gender parity. In *Women. Fast forward: The time for gender parity is now*,¹² both men and women said good opportunities for progression were a top enabler for women in leadership.

Having more women at the top – family or non-family – also seems to help motivate women family members to join the business. Forty-one percent of the participants reported that women family members have shown increased interest in joining the business over the last three years.



Figure 1: Compared to the last three years, do you believe there has been an increase or decrease in the level of interest of female family members wanting to be involved in the business?



Note: Numbers may not sum to 100% due to rounding.

Focus on long-term sustainability and growth

The data show that having more women being groomed for the C-suite leads to having higher growth targets.

The focus on building a sustainable business comes naturally to family businesses, which regard the business as a legacy to be preserved for future generations. For example, the average tenure of a family business CEO is 20 years, compared to 6 years for the CEO of a public company.¹³ Thus, family business leaders are given a much longer period to steer the company, making clear the value of long-term sustainability and success, whereas many other types of corporate entities tend to be focused on delivering short-term results.

That long tenure may also help to break down conscious and unconscious bias over time, allowing males in positions of power to witness and acknowledge firsthand the contributions and accomplishments of women in leadership. If we look at this from a historical perspective, family businesses predate all other types of businesses – some have been around for hundreds of years.¹⁴

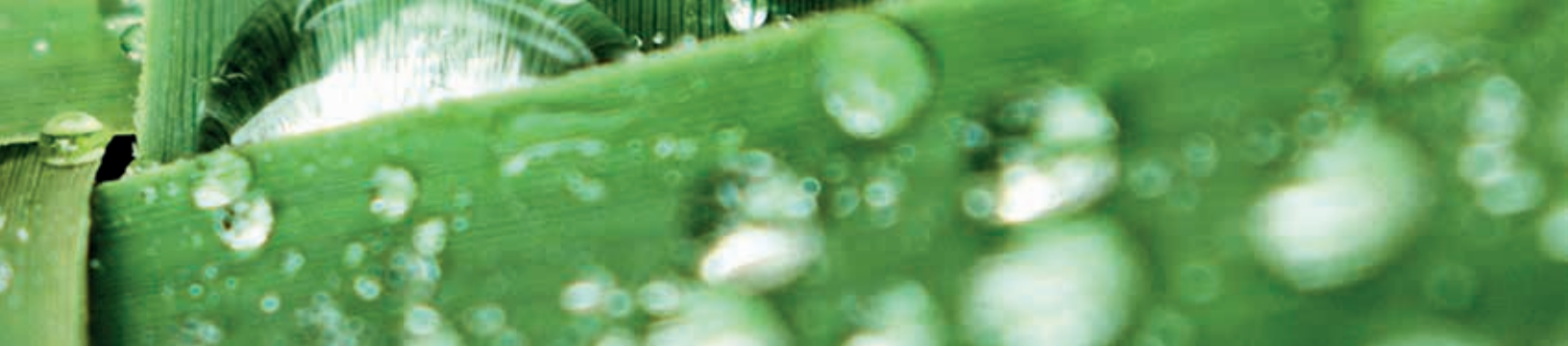
“Over time, conscious and unconscious bias may naturally degrade in family business,” says Marnix van Rij, EY Global Family Business Leader. “The family discovers and reinforces through experience and its own history that limiting people based on gender does not make sense for the family or the business.”

This is supported by our finding that the older and larger a company, the more women on its board (16% of the variance in the number of women on the board is explained by the size and age of the company).

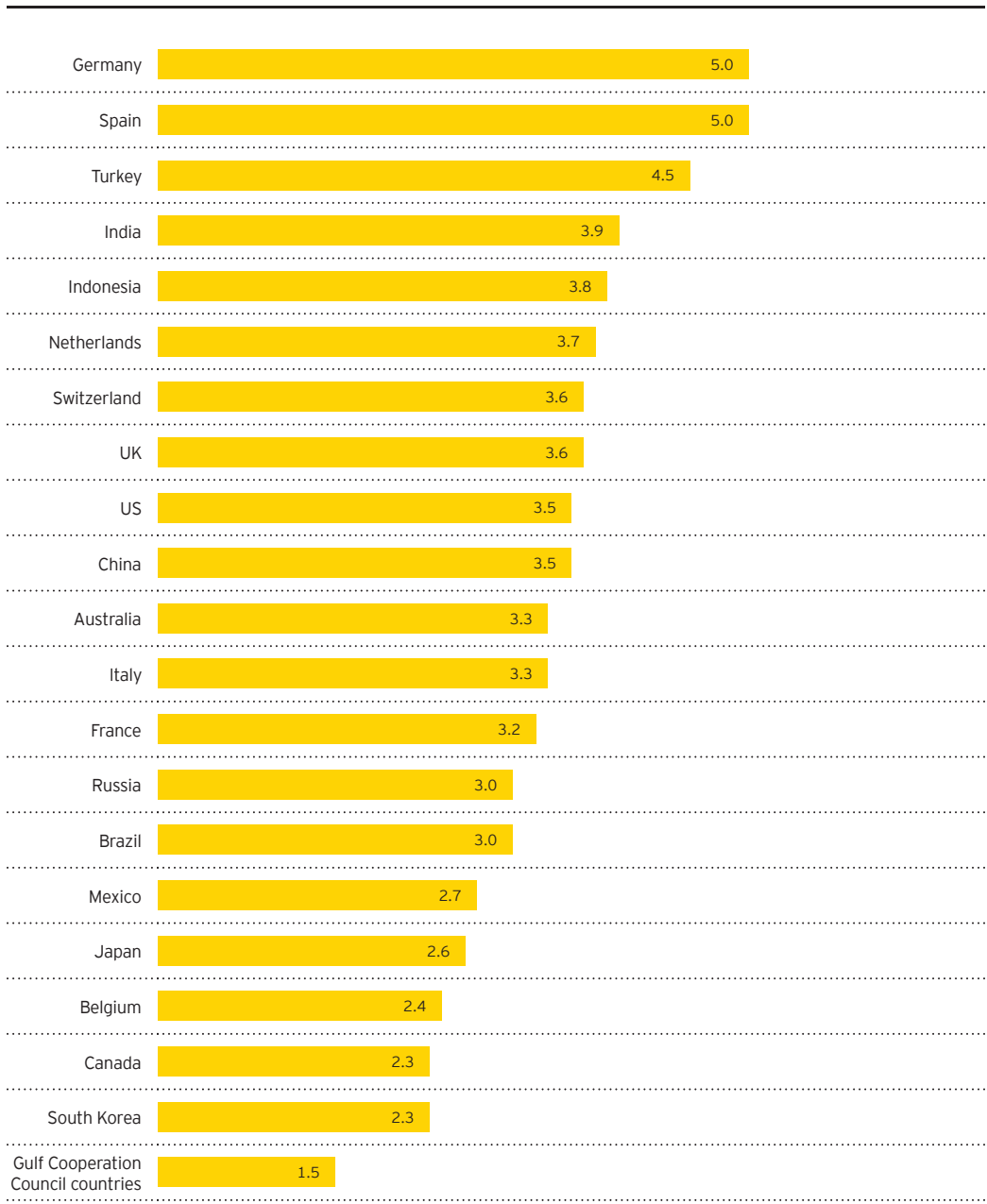
Similarly, the larger the company (and generally, larger family businesses are older), the more women in the C-suite (37% of the variance in the number of women in the C-suite is explained by company size). It appears that as companies grow in size, they focus more attention on having women in senior positions to maintain a vibrant workforce and a committed ownership group. It is also true that larger companies are more likely to have qualified women in their ranks from which to choose, making it more probable that they will have more women in the C-suite.

Our data also show that having more women being groomed for the C-suite actually leads to having higher growth targets. This underlines the point that family businesses with more women in the C-suite emphasize the long-term growth and sustainability of the business, rather than short-term performance goals, such as meeting quarterly targets.

Taken together, these findings can lead us to reasonably surmise that having women in leadership is good for long-term, sustainable growth, and a focus on such growth benefits women who want to lead.



**Figure 2: Is the company considering having a woman as the next CEO/successor?
(1=Not considering at all, 7=Strongly considering)**



An inclusive environment where women thrive



Because they are built on relationships, the world's largest family businesses emphasize values and activities that keep family members – as well as employees – more cohesive and engaged with each other and the business. This emphasis on inclusivity appears to be another reason they are more likely to bring women into leadership roles. Diversity in leadership, including gender diversity, is positively correlated to employee engagement and satisfaction – factors that drive retention and increase cohesion.¹⁵

An inclusive environment that helps propel women to leadership manifests in three activities typical of successful family businesses:

1. Next-generation preparation

We found that women family members are typically more interested in joining the business if it values the preparation of the next generation. (Emphasis on preparing the next generation accounts for 31% of the variance in the interest of female family members in joining the company.¹⁶) When we add in companies that are also considering a woman for the next CEO, their interest grows even higher.

2. Family business branding

Family businesses are proud of what they've built and believe the business is an essential part of their family identity. Branding as a family enterprise plays a significant role in building a cohesive, inclusive environment within family businesses – one in which women thrive – and in fostering a personal, loyal connection to the brand among consumers.



When women family members are part of that branding effort, it helps to make visible the aforementioned role models for women inside the business and may also help promote loyalty among women consumers and employees, too. Women control around US\$20 trillion in consumer spending¹⁷ and are projected to control 75% of discretionary spending by 2020.¹⁸ Thus, having women in leadership roles helps women consumers feel more connected to family brands. For the business, it also lends insight into women's buying behavior and consumer preferences.

"Vibrant family businesses around the world know the limitless value of connecting their families to their stakeholders in messaging and all elements of image," says Joe Astrachan, Wells Fargo Eminent Scholar Chair of Family Business at Kennesaw State University. "It's even better for business success and family health when the family gets engaged in shaping the message and delivering it personally."

3. Corporate social responsibility activities

As we mentioned earlier, studies have shown that women in leadership are associated with better corporate social performance, particularly in philanthropy, customer focus, environment and supply chain.¹⁹ These are self-reinforcing activities – the more businesses focus on these areas, the more women, particularly Millennials,²⁰ will want to join the organization. Accordingly, when more women reach the top levels of the organization, the sharper the focus on corporate social responsibility activities.²¹

As we found in our first report based on this data, *In harmony: family business cohesion and profitability*,²² there is a cycle at work here for family businesses – one in which having more women in leadership appears to play a role. Increased cohesion leads to better financial performance, and better financial performance helps make a family business more cohesive. We found that when businesses put more emphasis on women in higher-level roles, that effect becomes more pronounced.

"Family businesses are proving to be beacons of parity in a gender-imbalanced business world. The longevity, sustained performance and reach of these companies demonstrate why women should be given more opportunities to lead – and the positive results they get when they do."

Kate Barton, EY Americas Vice Chair – Tax Services

A pattern of success

The largest, longest-lasting family businesses in the world are economic giants with the power to influence economies and societies at the local, regional and global levels. And they believe in the power of women in leadership. Companies that seek to achieve the competitive advantage that comes with gender parity should emulate these family business traits:

- ▶ Establish a clear path for women to move into leadership roles with more female role models
- ▶ Pursue a long-term, sustainable growth strategy
- ▶ Create a cohesive, inclusive environment focused more on people and less on achievement of short-term financial results

Learn from the wisdom of family businesses – greater gender parity in leadership can yield extraordinary results.

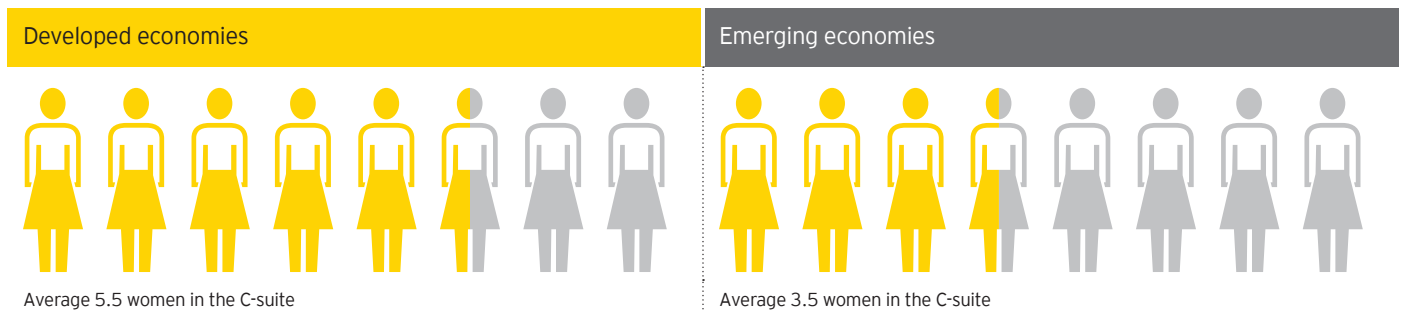
Women in family business around the world

As CEO

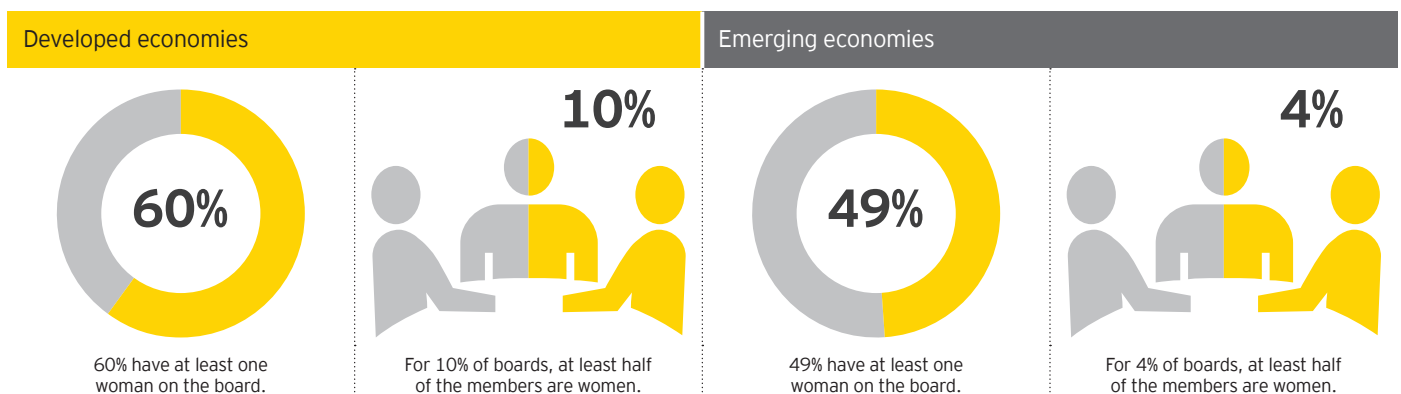
Top countries where family businesses are most strongly considering a woman for the next CEO:



In the C-suite



On the board



Developed economies: Australia, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Spain, Switzerland, UK, US. Emerging economies: Brazil, China, Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), India, Indonesia, Mexico, Russia, South Korea, Turkey

Note: The countries with the highest percentage of women on boards in general were not included in this survey: Norway, Sweden and Finland.

About EY's Strategic Growth Markets Network

EY's worldwide Strategic Growth Markets Network is dedicated to serving the changing needs of high-growth companies. For more than 30 years, we've helped many of the world's most dynamic and ambitious companies grow into market leaders. Whether working with international, mid-cap companies or early stage, venture-backed businesses, our professionals draw upon their extensive experience, insight and global resources to help your business succeed. ey.com/sgm

Notes

1. "Global Data Points," Family Firm Institute, <http://www.ffi.org/?page=globaldatapoints>, accessed May 2015. For this statistic, the definition of family business means that the family can influence the strategic direction of the business (so, for example, single-owner businesses can be considered family businesses).
2. Ibid.
3. *Staying power: how do family businesses create lasting success?*, EY, April 2015, [http://www.ey.com/Publication/vwLUAssets/ey-staying-power-how-do-family-businesses-create-lasting-success/\\$FILE/ey-staying-power-how-do-family-businesses-create-lasting-success.pdf](http://www.ey.com/Publication/vwLUAssets/ey-staying-power-how-do-family-businesses-create-lasting-success/$FILE/ey-staying-power-how-do-family-businesses-create-lasting-success.pdf).
4. *The CS Gender 3000: Women in Senior Management*, Credit Suisse Research Institute, September 2014; Catalyst censuses (Fortune 500 and FTSE 250), 2014.
5. Ibid.
6. *Gender Diversity and Corporate Performance*, Credit Suisse Research Institute, August 2012; Kellie A. McElhaney and Sanaz Mobasserli, "Women Create a Sustainable Future," UC Berkeley Haas School of Business, October 2012; Corporate Leadership Council, *Driving Performance and Retention Through Employee Engagement* (Corporate Executive Board, 2004).
7. Ibid.
8. Rachel Soares, Heather Foust-Cummings, Claude Francoeur and Réal Labelle, *Companies Behaving Responsibly: Gender Diversity on Boards*, Catalyst, 2015.
9. *The CS Gender 3000: Women in Senior Management*, Credit Suisse Research Institute, September 2014; Catalyst censuses (Fortune 500 and FTSE 250), 2014.
10. These results are based on a 16-construct Partial Least Squares Structural Equation Model built by the research team at Kennesaw State University.
11. Technically, it accounts for 27% of the variance in the company's willingness to consider a woman for the next CEO.
12. *Women. Fast forward: The time for gender parity is now*, EY, <http://www.ey.com/GL/en/Issues/Business-environment/ey-gender-parity-the-time-is-now>, January 2015.
13. George Stalk and Henry Foley, "Avoid the Traps That Can Destroy Family Businesses," *Harvard Business Review*, <https://hbr.org/2012/01/avoid-the-traps-that-can-destroy-family-businesses>, January-February 2012.
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15. Corporate Leadership Council, *Driving Performance and Retention Through Employee Engagement* (Corporate Executive Board, 2004).
16. This result is based on a 6-construct Partial Least Squares Structural Equation Model built by the research team at Kennesaw State University.
17. Michael J. Silverstein and Kate Sayre, "The Female Economy," *Harvard Business Review*, September 2009.
18. "Navigating the New Consumer Realities," the Boston Consulting Group, <https://www.bcg.com/documents/file79398.pdf>, June 2011.
19. Rachel Soares, Heather Foust-Cummings, Claude Francoeur and Réal Labelle, *Companies Behaving Responsibly: Gender Diversity on Boards* (Catalyst, 2015).
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EY Family Business Center of Excellence

The Family Business Center of Excellence brings together advisors from the EY global network to share knowledge and insight to address family business challenges and provide seamless service for family-owned companies. Wherever you are based or whatever your needs, there is someone ready to help you to succeed for generations.

Visit ey.com/familybusiness for more information about our Family Business Center of Excellence.

Download the executive summary of the survey at ey.com/stayingpower.

Follow us on Twitter: @EY_FamilyBiz, @CarrieGHall, #EYFambiz.



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About the Cox Family Enterprise Center

Since 1987, the Cox Family Enterprise Center at Kennesaw State University has been dedicated to the education, recognition and research of family businesses. As one of the first university-based centers of its kind, the center remains focused on connecting people, ideas and knowledge to create a dynamic community to transform the family business ecosystem and further economic development.

Visit coles.kennesaw.edu/familybusiness for more information.

About Kennesaw State University

Kennesaw State University is the third-largest university in Georgia, offering more than 100 undergraduate, graduate and doctoral degrees. A member of the University System of Georgia, Kennesaw State is a comprehensive university with more than 32,000 students from 130 countries. In January 2015, Kennesaw State and Southern Polytechnic State University consolidated to create one of the 50 largest public universities in the country.

Visit kennesaw.edu for more information.



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