

# Family Business Survey

November – December 2022



THE MALTA CHAMBER  
OF COMMERCE, ENTERPRISE  
AND INDUSTRY

Silvan Mifsud, Chairperson Family Business Committee

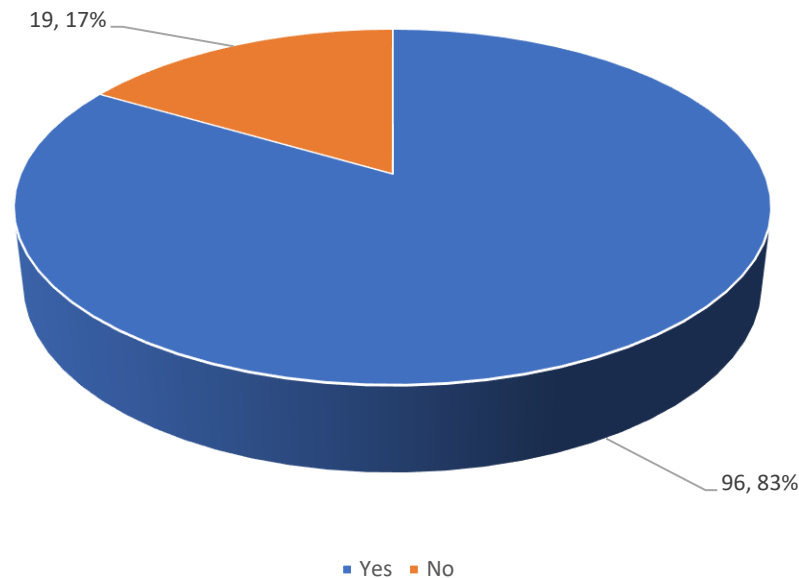
- Why are we here today?
- What challenges are family business facing today?
- One tool – GOOD GOVERNANCE
- GOOD GOVERNANCE is made of STRUCTURE AND MINDSET



# Governance

**Do you have a functioning board of directors that meets regularly to discuss the present performance and future direction of the family business?**

<b>Total Replies</b>	<b>115</b>	
Yes	96	83%
No	19	17%



# Governance

**If you don't have a functioning board of directors, how does the family business go about taking strategic decisions about its future direction?**

*"By talking matters as and when they arise and as necessary"*

*"Company has 1 director and he makes the decisions after management puts forward proposals"*

*"A meeting is only held when important decisions need to be taken. Other day to day decisions are discussed during the working time since we work in the same environment."*

*"I take decisions for my business."*

*"The director that holds most shares in the company take decisions"*

*"Informal discussions - While together at office we discuss usually after work when all is quiet."*

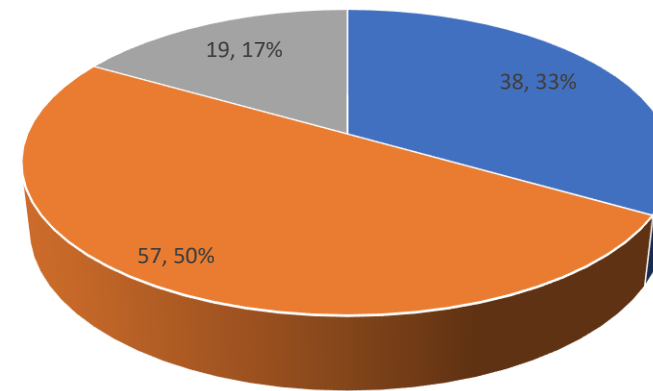
*"We discuss adhoc"*



# Strategic Planning

*Does the family business have a written strategic plan which is regularly reviewed?*

<b>Total Replies</b>	<b>114</b>	
Yes we do	38	33%
No, but we need to get there	57	50%
No, we do not need it	19	17%

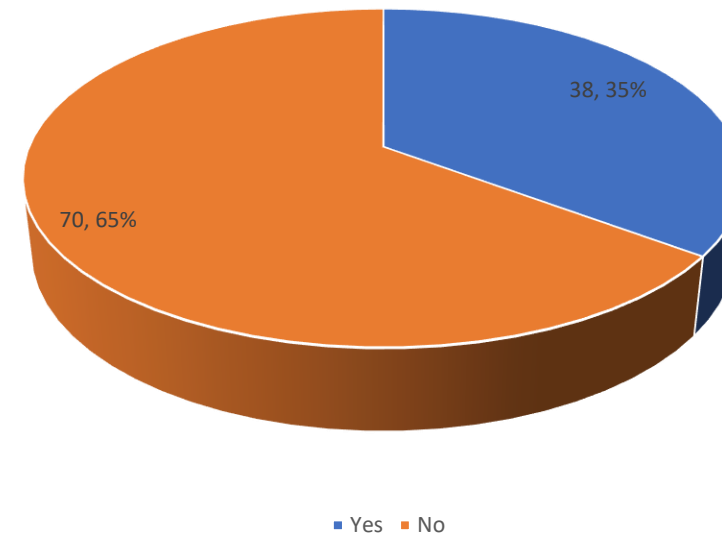


■ Yes we do   ■ No, but we need to get there   ■ No, we do not need it

# Succession Planning

## Do you have a written succession plan?

<b>Total Replies</b>	<b>108</b>	
Yes	38	35%
No	70	65%



# Succession Planning

**If you don't have a written succession plan, can you describe if anything is being done to plan who will be leading the family business beyond the present leadership?**

- *We have not yet written a succession plan as all current shareholders are below the age of 45.*
- *We are currently discussing the way forward*
- *They have to decide who will lead*
- *We just took over the business (second generation) and we are struggling.*
- *Its a work in progress*
- *No plan in place. Nothing is being done.*
- *We are asking consultancy at commercial advocate, we are concentrating about transferring the shares.*
- *Yes we already know who will be leading the business beyond the present leadership.*
- *The next generation of our families are still too young to plan beyond the present leadership.*
- *It has been verbally discussed for many years but it has not been written down*
- *Our son is very keen on taking on the business after finishing studies*
- *In the future, one hopes to pass on the business to their Children.*
- *The persons who are currently leading the business are very young*
- *We are planning to start doing it*
- *Discussions are ongoing but there are limitations that are hard to get over.*
- *At the moment we are discussing with a lawyer how to transfer the business to the children and give some advantage to the children working in the business over the children who are not .*



# Succession Planning

**If you don't have a written succession plan, can you describe if anything is being done to plan who will be leading the family business beyond the present leadership?**

- *We did have a plan but unfortunately our children have opted out.*
- *We have not yet written the succession plan, but we are currently establishing the management structure and eventual will have a written succession plan.*
- *We are in the process of having discussions, to tie all the pieces of the succession plan together. The “management succession” plan, the “ownership succession” plan, and the “family business rules” Obviously this is a very emotional and sensitive subject.*
- *Yes there are plans but they are not yet cast in stone.*
- *Two of my children are working in the business and one of them is already a director*
- *Constantly in mind in all we do but difficult to plan as the first generation refuses to let go*
- *Its is being formulated by the assistance of consultants.*
- *Yes, we have on going discussions within the family members working in the company*
- *This is being studied in line with general corporate and ESG strategy. As the family will be moving into the third generation the need for succession planning has become more relevant.*





# Family Business Priorities

Please rank the importance you give to each of the following from 1 to 5 (1 being the least and 5 being the most), with regard to your family business:

19th	18th	17th	16th	15th	14th	13th	12th	11th	10th	9th	8th	7th	6th	5th	4th	3rd	2nd	1st
Pursuing strategic acquisitions or mergers	Beefing up your board of directors with Independent & Non-Executive Directors	Increasing investments in innovation and R&D	Increasing collaboration with other companies, even competitors	Family Employment policy, Dividend Policy, Family Constitution, etc) to have the family business run on more	Increasing your present labour force	Increasing organisation's social responsibility	Increasing involvement of the next generation in decision-making/management as part of the succession plan journey	Rethinking /changing/ adapting the business model	Introducing new products/services	Becoming more environmentally friendly in your operations	Training and re-skilling your employees in both technical skills and soft skills like leadership and communication skills	Investing and expanding into new markets/client segments	Improving digital capabilities	Increasing the use of new technologies to automate processes and increase efficiency	Improving your organisational structure	Improving your financial performance (cashflow, profitability) to survive	Having regular and timely reporting of financial performance and key KPIs	Retaining your present labour force



Least Important



Most Important



# Derived Insights from Survey



# Derived Insights on Family Businesses from Survey

***(1) 50% of family business who declared that they have a functioning BOD, then do not have a written strategic plan or do not need one.***

***(2) 95% of those family businesses who declared that they do NOT have a functioning Board of Directors, do not have a written strategic plan.***

***(3) 73% of family businesses that declared that they do NOT have a written strategic plan also have no written succession plan.***

***(4) 51% of those family businesses that declared that they have a written strategic plan also have a written succession plan.***



# Derived Insights on Family Businesses from Survey

***Are the priorities of those family businesses that have a functioning board of directors the same as those not having one?***

## ***Top Priorities for those NOT having a functioning Board of Directors***

1st	Retaining present labour force
2nd	Improving your financial performance (cashflow, profitability) to survive
3rd	Improving digital capabilities
4th	Improving your organisational structure
5th	Expanding into new markets/client segments
6th	Becoming more environmentally friendly in their operations
7th	Increasing the use of new technologies to automate processes and increase efficiency
8th	Introducing new products/services
9th	Training and re-skilling your employees in both technical skills and soft skills like leadership and communication skills
10th	Increasing involvement of the next generation in decision-making/management as part of the succession plan journey

## ***Top Priorities of those having a functioning Board of Directors***

1st	Having regular and timely reporting of financial performance and key KPIs
2nd	Retaining your present labour force
3rd	Improving your organisational structure
4th	Improving your financial performance (cashflow, profitability) to survive
5th	Rethinking/changing/adapting the business model
6th	Improving digital capabilities
7th	Investing and expanding into new markets/client segments
8th	Becoming more environmentally friendly in your operations
9th	Introducing new products/services
10th	Training and re-skilling your employees in both technical skills and soft skills like leadership and communication skill

***It is clear that those family businesses having a functioning BoD give great importance to timely financial reporting as they would need to report to the Board as opposed to those not having a Board. Also those family businesses having a board give importance to re-think & adapt their business model, while those not having a Board do not give great importance to this.***

# Derived Insights on Family Businesses from Survey

***Are the priorities of those family businesses that have a written strategic plan the same as those not having one?***

<b><i>Top Priorities for those having a written strategic Plan</i></b>		<b><i>Top Priorities for those NOT having a written strategic Plan</i></b>	
1st	Having regular and timely reporting of financial performance and key KPIs	1st	Retaining your present labour force
2nd	Improving your organisational structure	2nd	Having regular and timely reporting of financial performance and key KPIs
3rd	Improving your financial performance (cashflow, profitability) to survive	3rd	Improving your organisational structure
4th	Retaining your present labour force	4th	Improving your financial performance (cashflow, profitability) to survive
5th	Training and re-skilling your employees in both technical skills and soft skills like leadership and communication skills	5th	Improving digital capabilities
6th	Improving digital capabilities	6th	Increasing the use of new technologies to automate processes and increase efficiency
7th	Becoming more environmentally friendly in your operations	7th	Investing and expanding into new markets/client segments
8th	Investing and expanding into new markets/client segments	8th	Introducing new products/services
9th	Introducing new products/services	9th	Becoming more environmentally friendly in your operations
10th	Rethinking/changing/adapting the business model	10th	Increasing involvement of the next generation in decision-making/management as part of the succession plan journey

***It is clear that those family businesses that have a written strategic plan give more importance to the training & reskilling of their workforce and the re-thinking of their business model than those family businesses with no written strategic plan***

# Derived Insights on Family Businesses from Survey

***Are the priorities of those family businesses that have a written Succession plan the same as those not having one?***

<b><i>Top Priorities for those having a written Succession Plan</i></b>		<b><i>Top Priorities for those NOT having a written Succession Plan</i></b>	
1st	Retaining your present labour force	1st	Retaining your present labour force
2nd	Improving your organisational structure	2nd	Improving your financial performance (cashflow, profitability) to survive
3rd	Increasing the use of new technologies to automate processes and increase efficiency	3rd	Having regular and timely reporting of financial performance and key KPIs
4th	Having regular and timely reporting of financial performance and key KPIs	4th	Improving your organisational structure
5th	Improving your financial performance (cashflow, profitability) to survive	5th	Improving digital capabilities
6th	Training and re-skilling your employees in both technical skills and soft skills like leadership and communication skill	6th	Increasing the use of new technologies to automate processes and increase efficiency
7th	Improving digital capabilities	7th	Investing and expanding into new markets/client segments
8th	Increasing involvement of the next generation in decision-making/management as part of the succession plan journey	8th	Becoming more environmentally friendly in your operations
9th	Investing and expanding into new markets/client segments	9th	Introducing new products/services
10th	Becoming more environmentally friendly in your operations	10th	Rethinking/changing/adapting the business model

***It is clear that those family businesses that have a written succession plan give more importance to the training and re-skilling of their employees and the increased involvement of the next generation than those family businesses who do not have a written succession plan.***