

News release

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EY: Family-owned businesses show greater technology focus but lack gender diversity at board level

- ▶ **Index shows significant increase in family-owned technology firms represented**
- ▶ **Family-owned firms show strong non-family input at board level but poor gender diversity**
- ▶ **Number of new European firms represented in index grows**

The total revenue generated by the world's 500 largest family businesses grew by 9.9% in the past 24 months, while the number of family businesses from technology-enabled industries increased significantly in their representation in the index over the same period, from 28% in 2017 to 38% in this year's Index. This is according to the third biennial Global Family Business Index compiled by EY and the University of St. Gallen, Switzerland, which highlights the 500 largest family businesses in the world by revenue, involving at least two generations in the running of the company.

For the first time, the Index reports on the board composition and CEO profile of each family business represented in the Index, providing insight into corporate governance, non-family influence on business strategy and board diversity. The Index shows the growing trend for non-family representation on boards with 78% of board directors from new entrants being non-family members. However, diverse representation of gender at board level still lags. Family members operating in their company's boards are overwhelmingly male, with 23% of boards comprising male family members compared to 5% female family members.

According to the Index, new entrants tend to be younger, smaller and more likely to be publicly listed while the average firm age has dropped from 80.38 years in 2017 to 79.92 years in 2019 and average revenue of family-owned companies has risen to US\$14.96b in 2019 from US\$13.62b in 2017.

By geography, Europe leads with 46% of the world's largest family businesses calling the continent home, followed by 30% domiciled in North America. The number of firms in the Index

from Europe increased from 224 in 2017 to 230 in this year's Index, boosted particularly by new entrants from Germany; while North America saw a slight decline from 154 firms in 2017 to 150 this year.

The Index also sees significant increases in family businesses that are leveraging new technologies. This year, 68 firms operate in smart infrastructure (compared with just 35 in 2017) and 122 firms from the advanced manufacturing and mobility industries (compared with 103 firms in 2017). By contrast, the number of firms in financial services fell by 34% (from 61 firms in 2017 to 40 firms in this year's Index) and also fell in consumer products and retail, which was down 22% this year, though it remains the number one industry for family businesses with almost one in three (31%) of all Index companies operating in the sector.

Commenting on the findings of the Global Family Business Index, Stelios Demetriou, Partner and Head of Transaction Advisory Services of EY Cyprus, said: "The sharp increase in the number of technology-enabled family owned companies is an important development. It confirms what several previous EY studies have shown, that family owned companies are dynamic and adaptive as well as resilient. The increased participation in senior management of members from outside the family with the right qualifications and experience is also positive news. However, companies need to work harder on strengthening gender diversity in senior management, as this will strengthen their performance and also improve their image."

The full index can be accessed here: <http://familybusinessindex.com/>

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Notes to Editors

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