



# **Tendências e Pressões na Empresa Familiar – Brasil e Exterior**

Grupo de Estudos de Empresas Familiares – GEEF/  
GVLaw/ FGV Direito SP

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THE BOSTON CONSULTING GROUP

# Objectives for today

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## **Share comparissons and lessons learned from family business vs non-family businesses**

- In mature and developed markets
- In emerging markets

## **Characterise some of the common challenges faced by family owned enterprises**

## **Outline the possible ways for family owned businesses to tackle such challenges**

- The family
- The family in business
- The business

## **Deep dive into the case of professionalization**

- And if possible, go over a broader BCG case study

# BCG studied and compared Family vs Non Family business

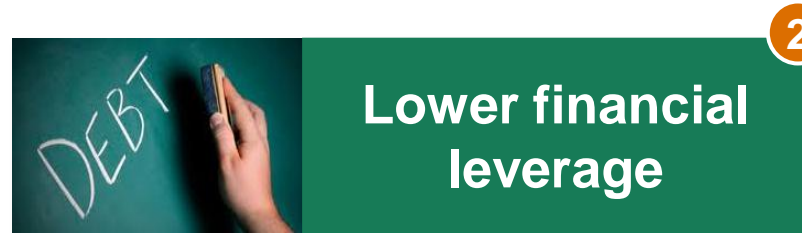
Panel composed of 149 family businesses and 135 non family businesses

Both in mature markets...

...and in fast-growing emerging markets



# Developed country family businesses (FBs) focus on resilience and preservation



# Developed country FBs demonstrate stable RoE performance, similar growth

1997 – 19



2000 – 02



2003 – 07



2008 – 09

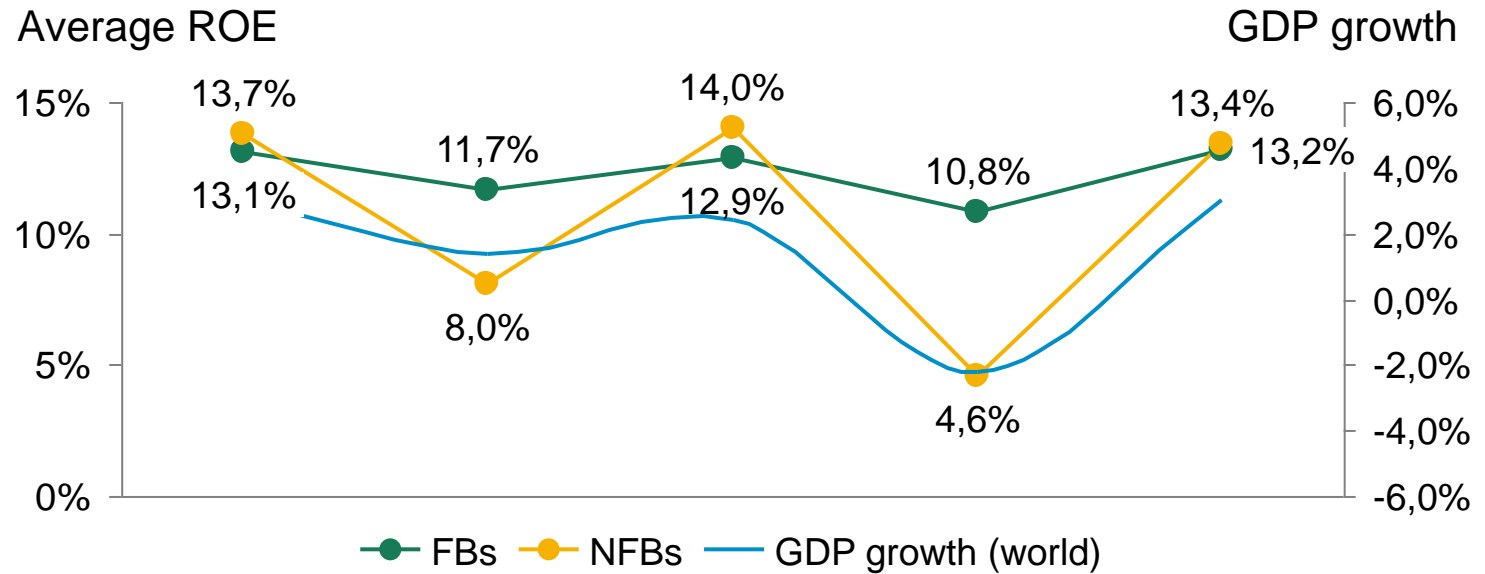


2010 – 12



## Average ROE and real GDP growth per period

PROFITABILITY



1. France + US + Canada + Italy + Spain + Portugal

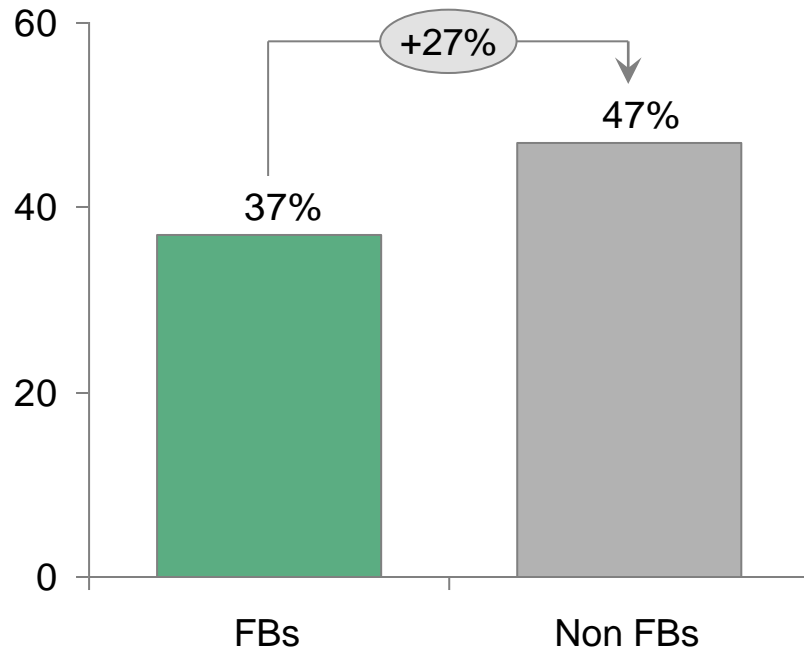
Note: panel composed of 229 companies (121 FB and 108 NFB) for 03-09 period, 200 companies (107 FB and 93 NFB) for 97-02 period

Source: BCG analysis

# Developed country FBs have lower leverage and M&A spending

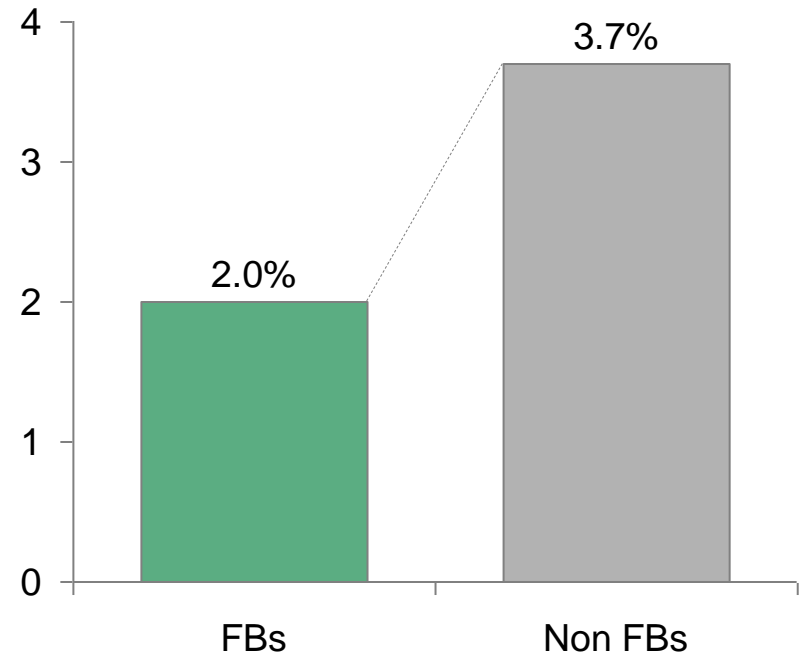
## 27% lower financial leverage

Average financial leverage  
(01-09)



## Lower spending on M&A

Average turnover acquired  
annually / turnover



1. France + US + Canada + Italy + Spain + Portugal

Note: panel composed of 229 companies (121 FB and 108 NFB) for 03-09 period, 200 companies (107 FB and 93 NFB) for 97-02 period

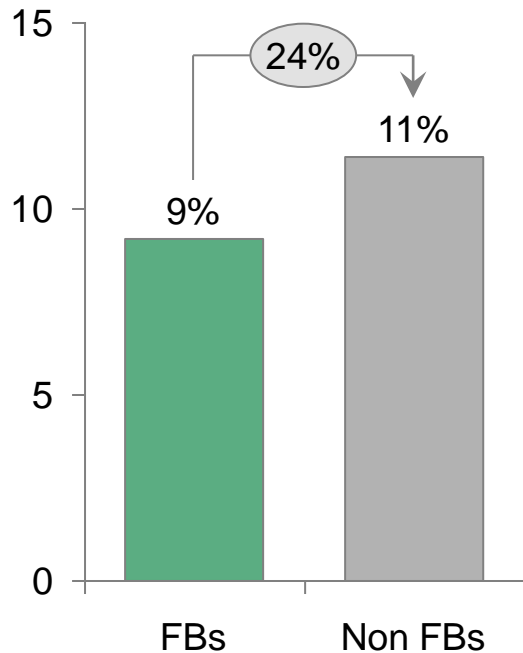
Source: Thomson Financials

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# Developed country FBs also typically seen as better people managers

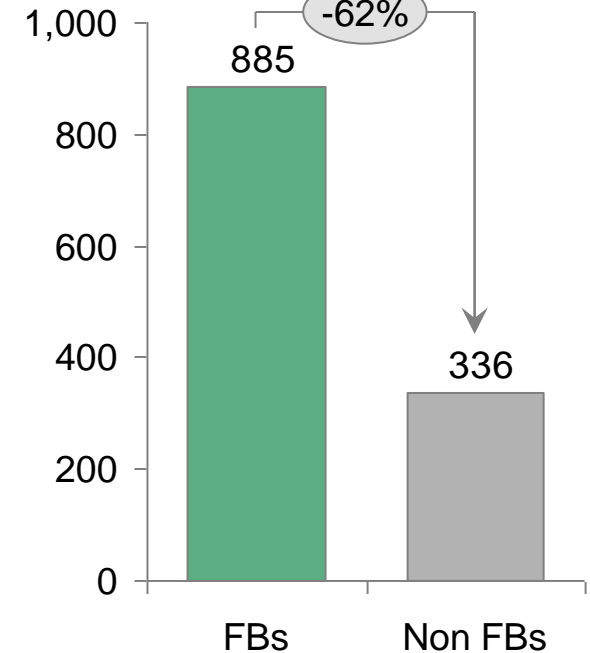
## A lower turnover at FBs...

Average yearly turnover (%)



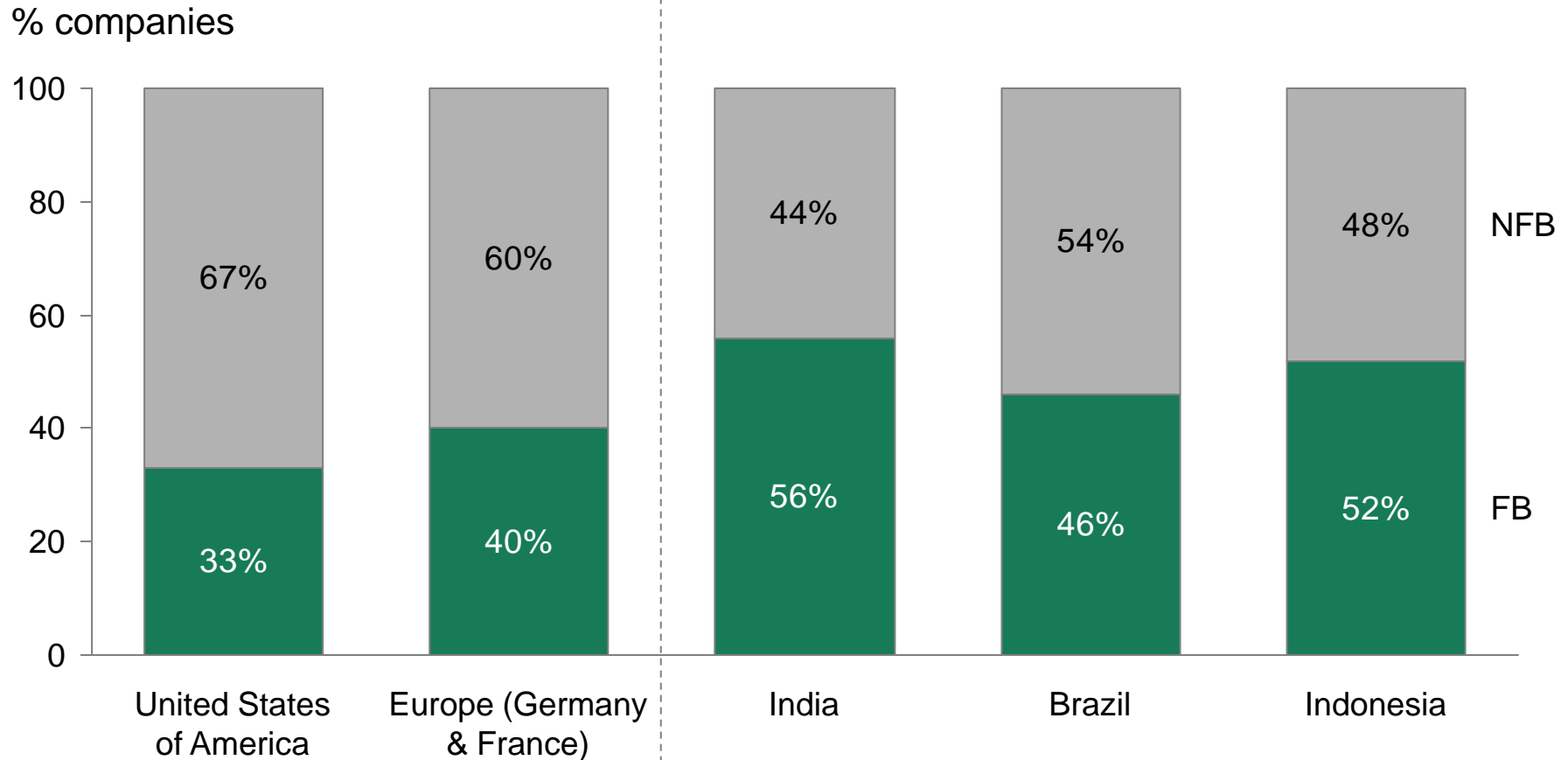
## ...and higher training spend

Training cost per employee (€ / employee)



Note: Panel composed of 149 FBs and 138 NFBs. Countries in perimeter: France, US, Canada, Spain, Portugal, Italy, Source: Thomson Financial, BCG analysis

# FBs are more significant in emerging markets



1. Companies with Revenues over USD 1 Billion — source BvD Orbis — public listed companies

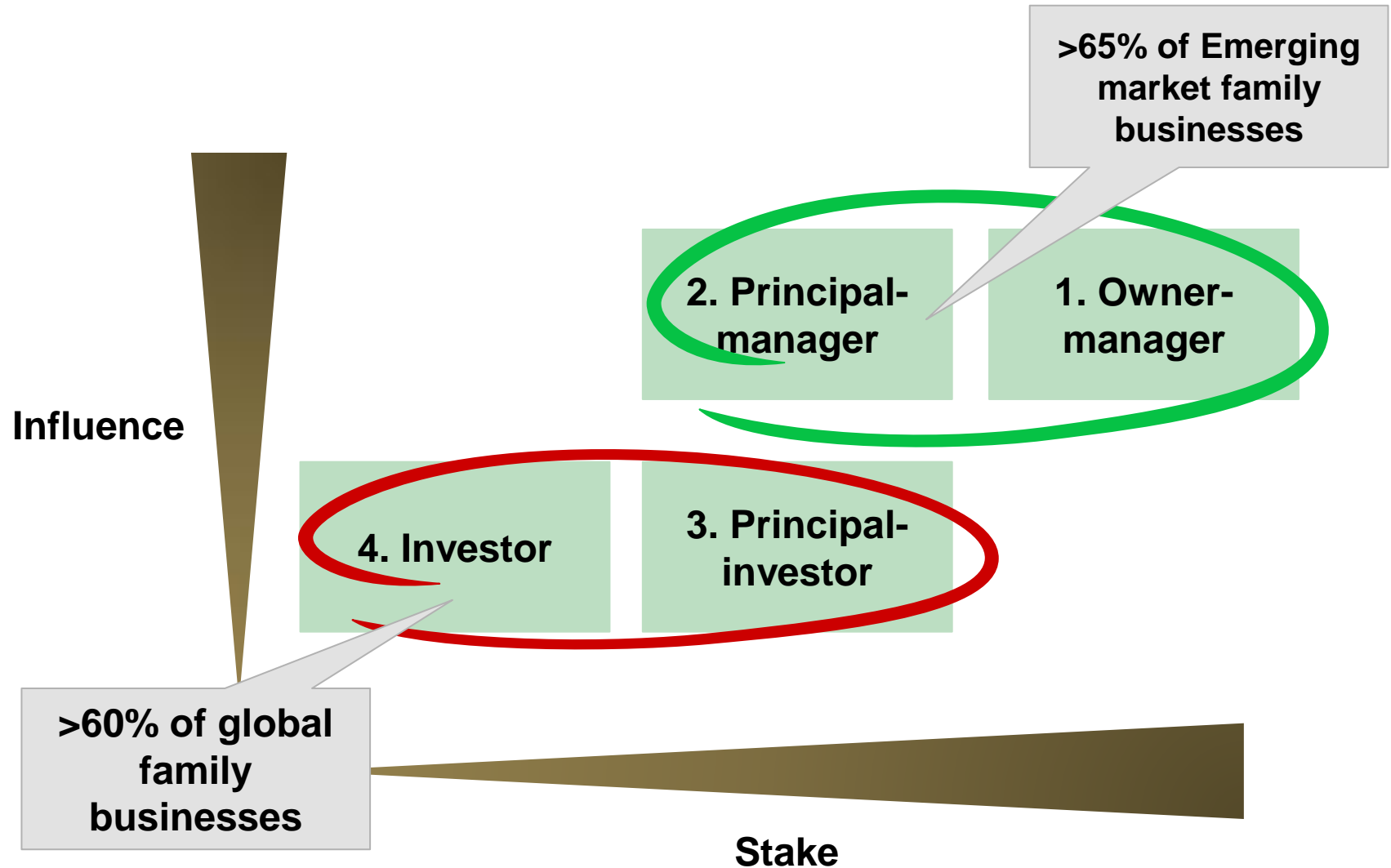
2. Top 200 companies

3. All companies of \$500 M

FB\_FGV GEEF-SAO-CO-mai15 vF pres.pptx



# FBs in emerging markets are at a different governance level



Source: BCG analysis and estimates based on a sample of top 200 companies in India, USA and EU

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# Different cultural and family context in emerging markets

Country rank on various cultural/other parameters

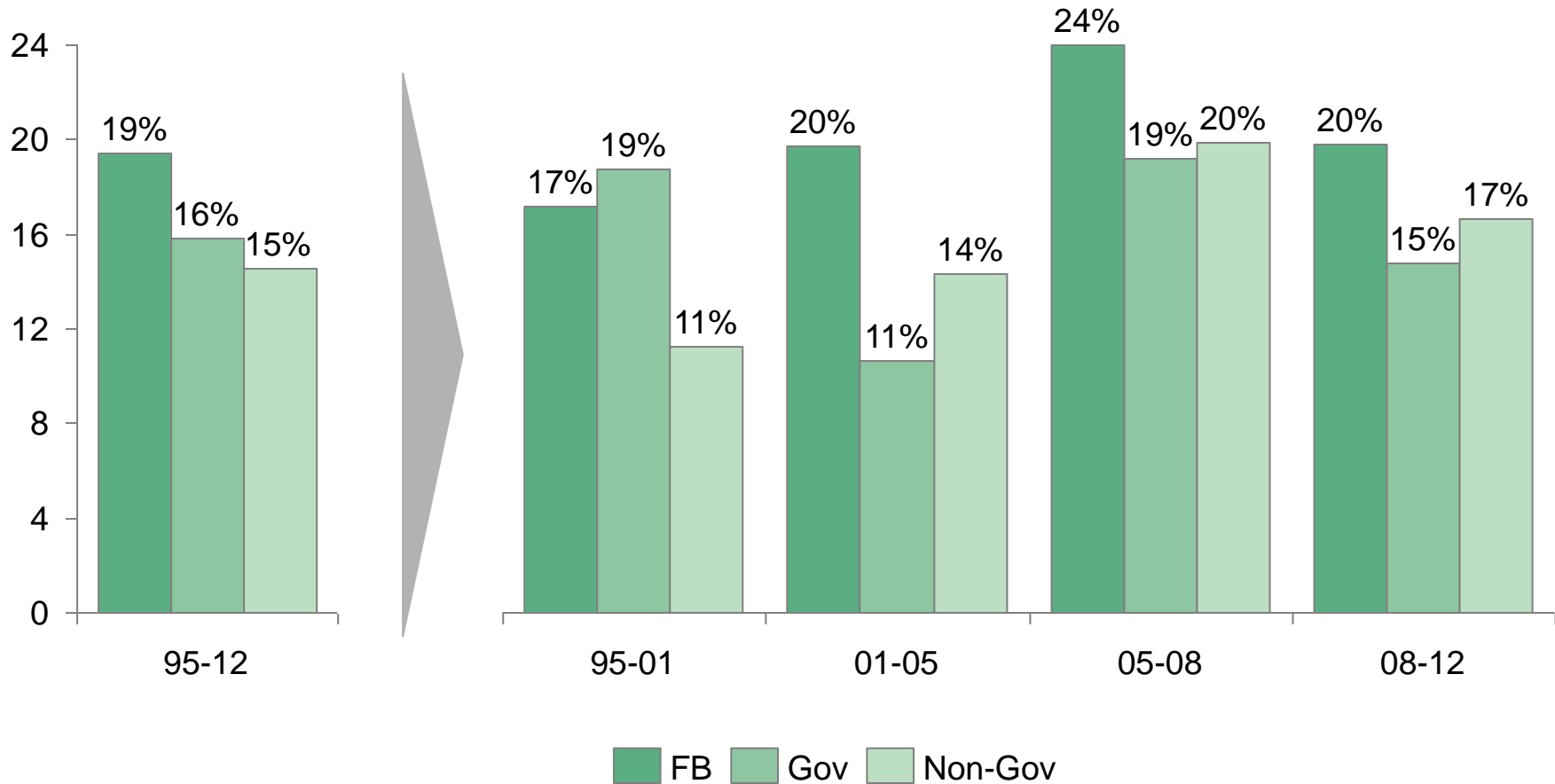
	Brazil	Indonesia	India	USA	UK
Hierarchical <sup>1</sup>	26	16	17	61	67
Individualistic <sup>1</sup>	42	71	33	1	3
Family size <sup>2</sup>	3.3	4.3	5.3	2.6	2.4

1. Cultures and Organizations – Software for the mind: Hofstede, Geert; Hofstede, Gert Jan

2. EIU data

# Indian FBs grow materially faster than other companies

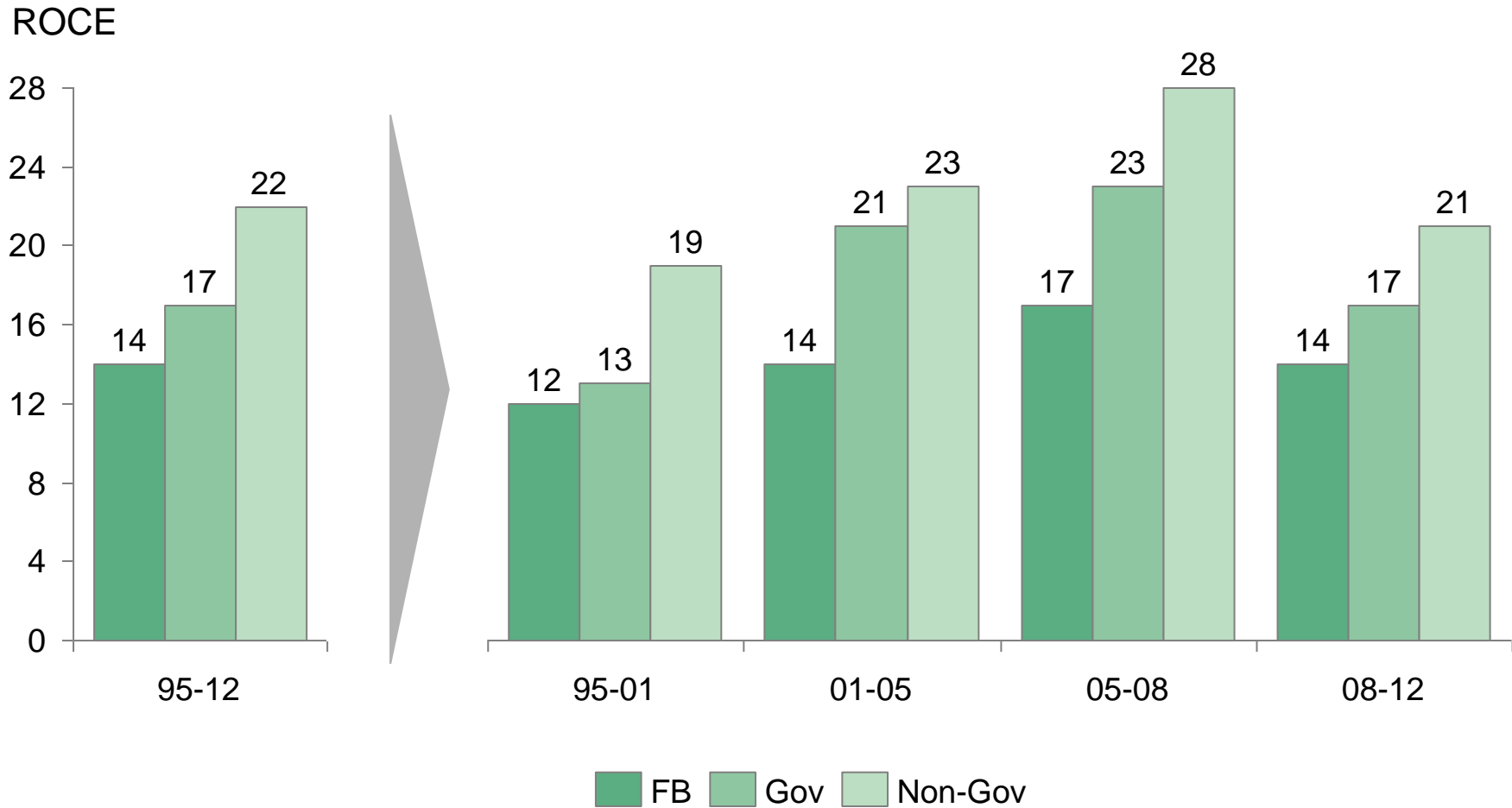
Revenue CAGR



Source: BCG analysis of all Indian companies from 1995 to 2012 above Rs 1000 crore

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# ...but have lower ROCE

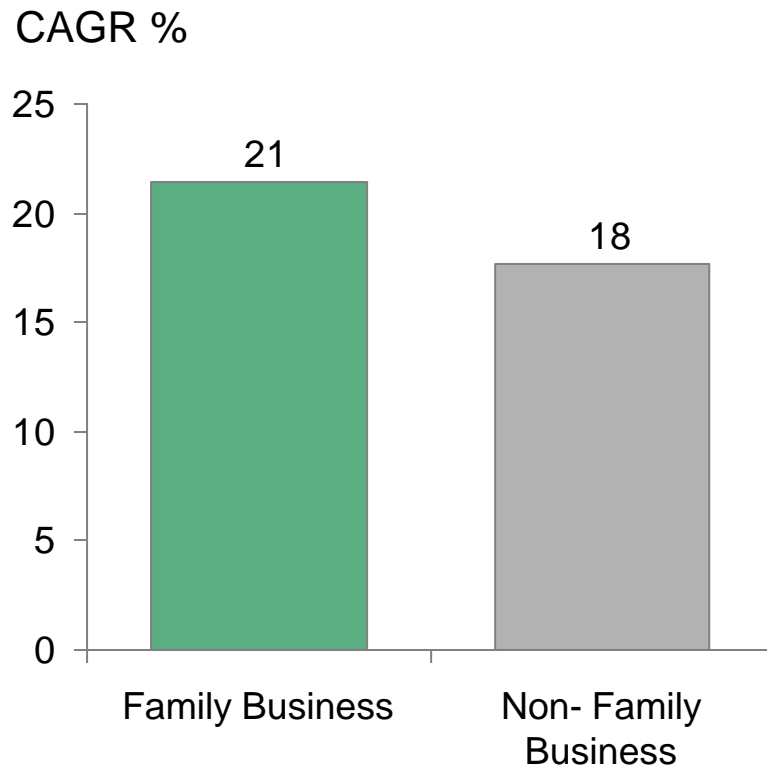


Source: BCG analysis of all Indian companies from 1995 to 2012 above Rs 1000 crore

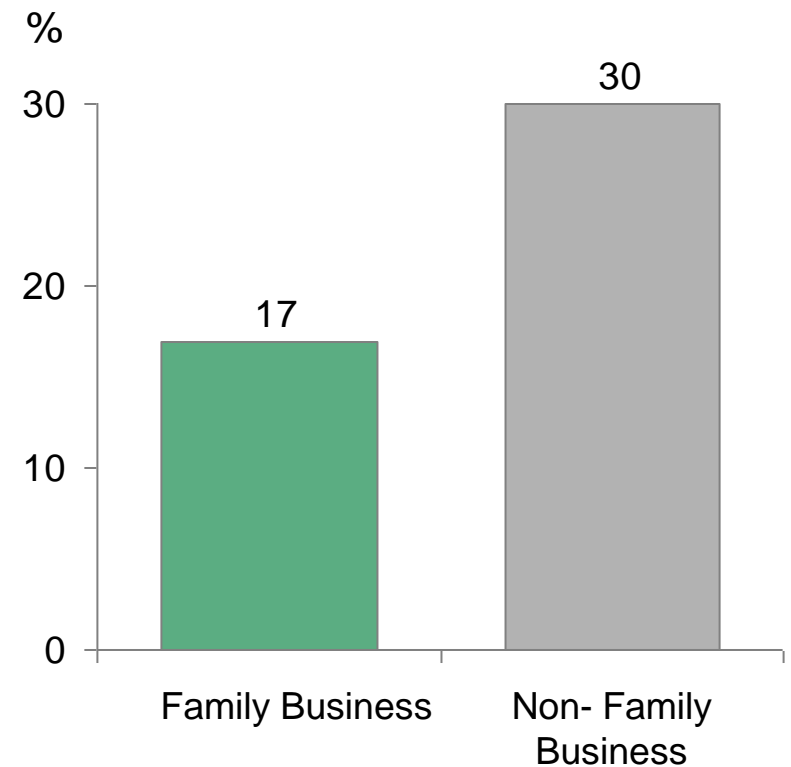
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# Brazil FBs show higher growth, but lower profitability

## Annual Sales growth, 2006-2010



## Average EBITDA margin, 2006-2010



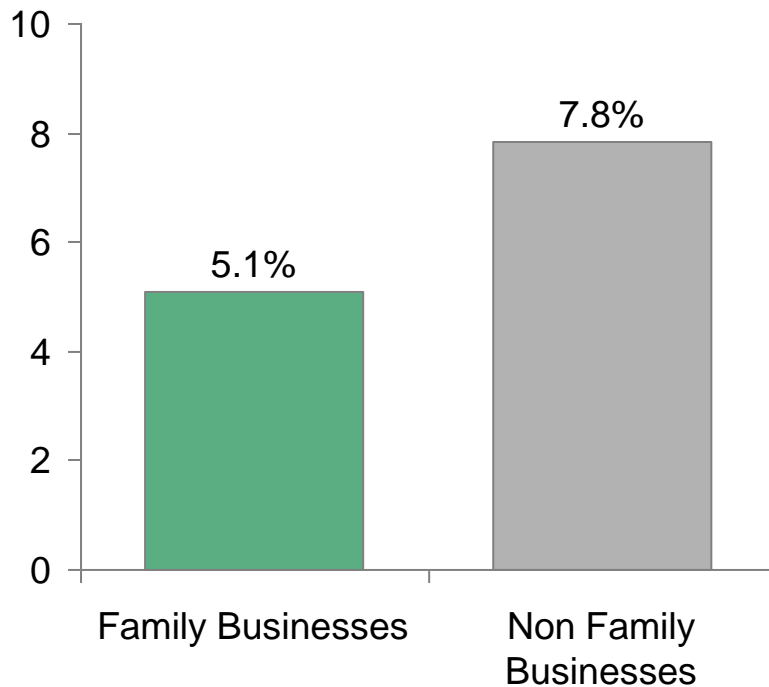
Note :Brazilian publicly listed companies with revenues above US\$ 500 M in 2010. Considers individual companies and not conglomerates. Only companies that have complete data ( revenues and EBITDA ) from 2006 to 2010 ( 115 of 180 companies listed)

Source: Orbis and Value Science ; Press search; Companies' websites and filings; BCG analysis

# In term of ROA, Brazil FBs show lower performance

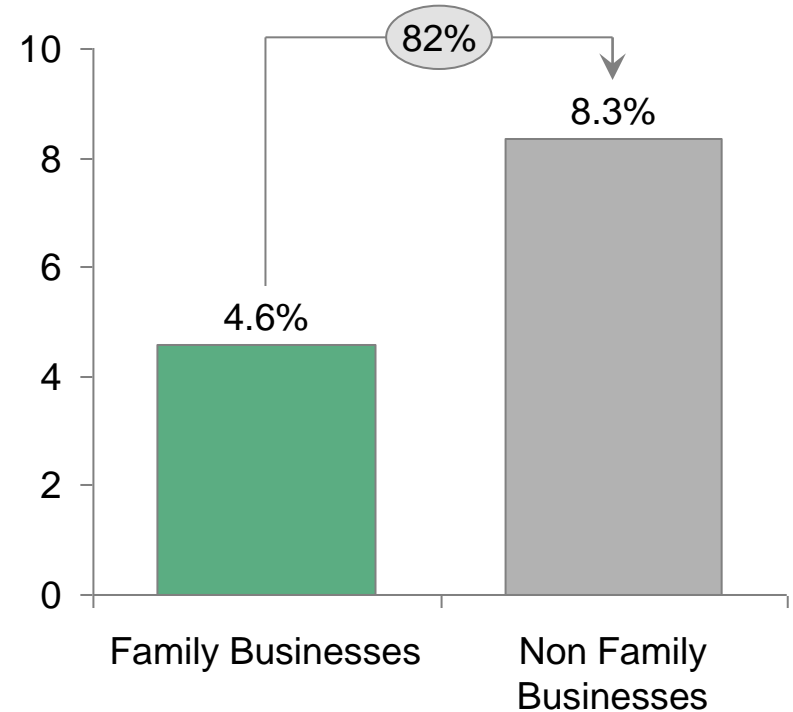
## Lower performance in the last 5 years...

Average ROA<sup>1</sup>  
2006-2010



## ...And bigger gap during economic downturn

Average ROA<sup>1</sup>  
2007-2009

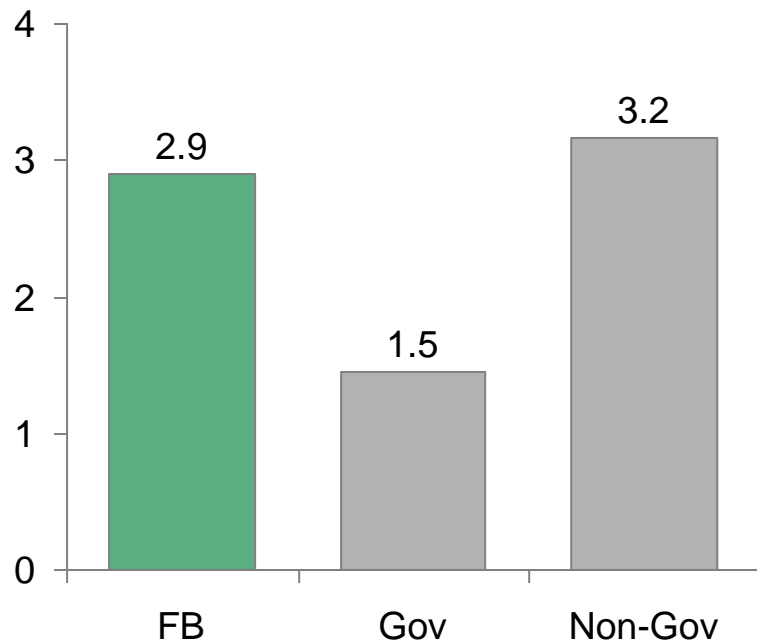


Note :Brazilian publicly listed companies with revenues above US\$ 500 M in 2010. Considers individual companies and not conglomerates. Only companies that have complete data ( Revenue, EBITDA, Enterprise value and dividend Yield ) from 2006 to 2010 ( 115 of 180 companies listed)  
Excluding the outliers Refinaria de Petr3oleos de Manguinhos SA for Family Business and Cielo for Non family Business.  
Source: Orbis and Value Science ; Press search; Companies' websites and fillings; BCG analysis

# Indian FBs undertake bigger M&A deals

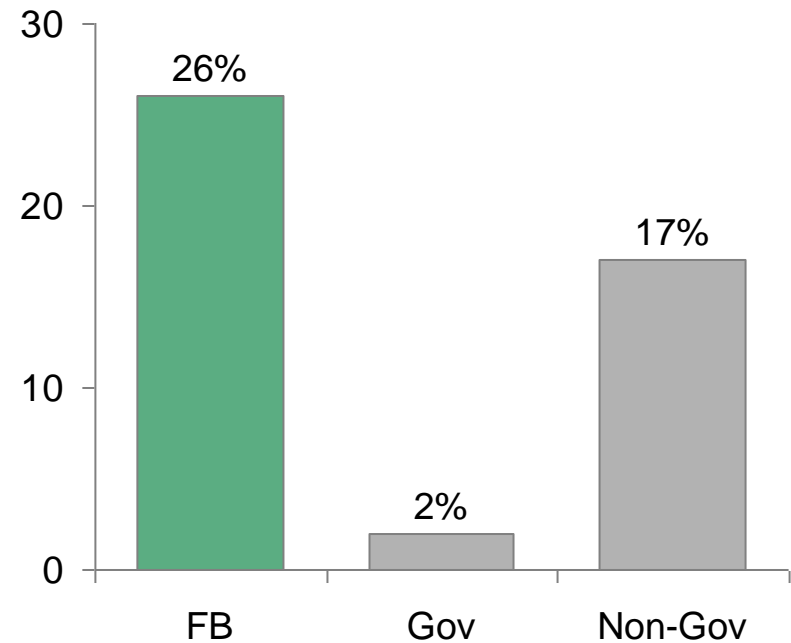
## Similar number of deals across FBs and Non-Gov...

Average # of deals per company  
(2003-12)



## ...but FBs show preference for bigger targets

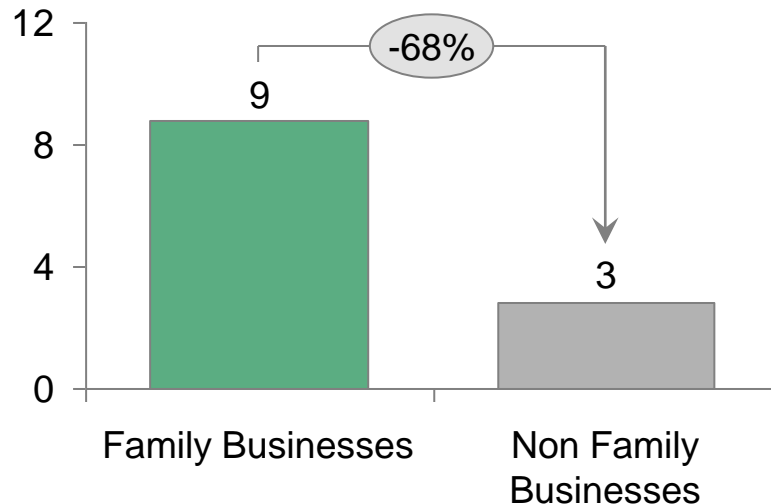
Deal size / Acquirer size  
(2003-12)



# Brazilian FBs show higher average and value of M&A

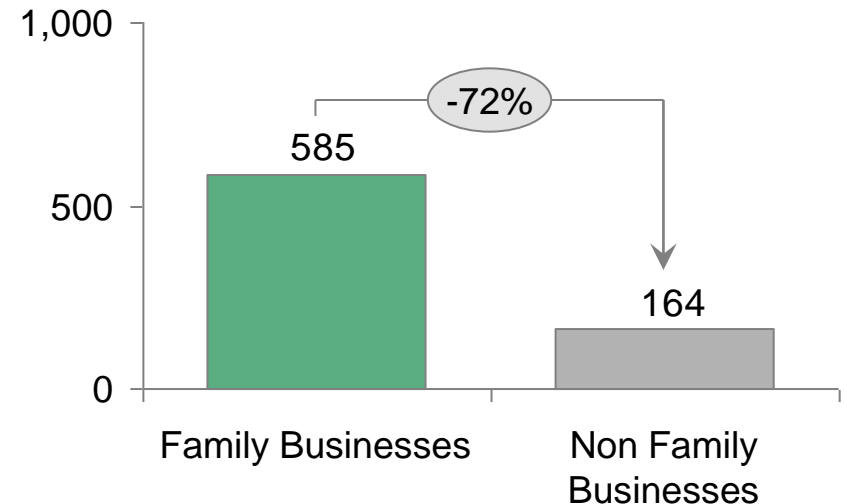
**On average, FBs are more willing for M&A than nFB**

Average number of deals<sup>1</sup> per company during 2000-2010



**...and the average value of FBs' deals is higher than non FBs' deals**

Average value of deals (US\$ M) during 2000-2010<sup>2</sup>



1.M&A deals involving acquisition of >50% of shares, disclosed or non-disclosed 2.Only considered disclosed deals

Note :Brazilian publicly listed companies with revenues above US\$ 500 M in 2010. Considers individual companies and not conglomerates. Sample represented by 27 Family Business and 19 Non Family Business of 180 companies listed.

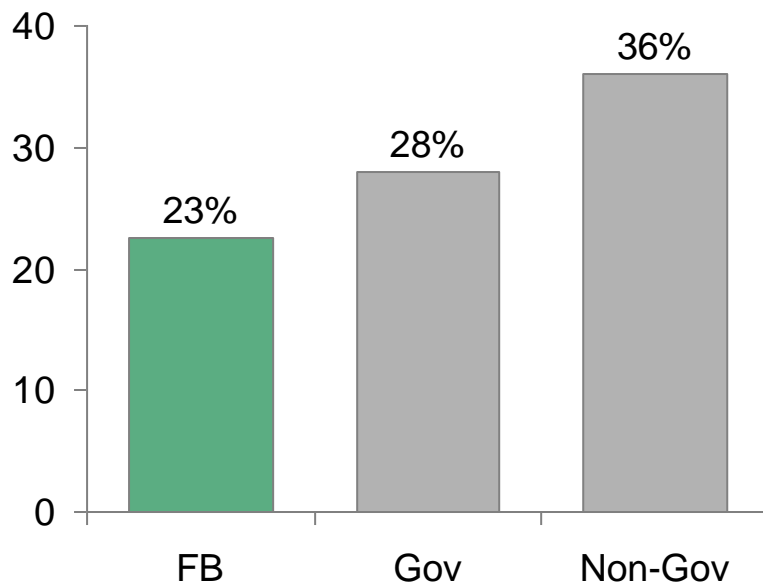
Source: Thomson Financials ; Press search; Companies' websites and fillings; BCG analysis



# Emerging markets FB are more leveraged and with less dividend payouts

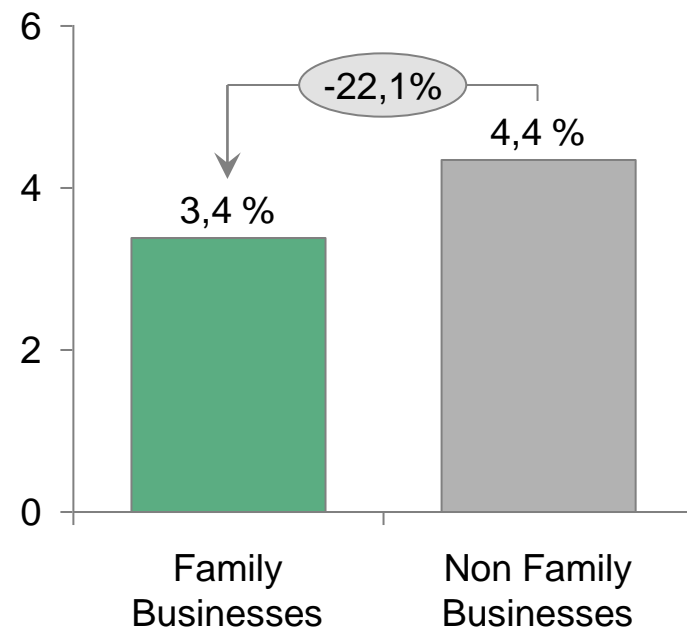
## India

Average dividend payout  
(1995-2012)



## Brazil<sup>2</sup>

Average dividend payout  
2005-2010



1. Leverage Ratio=(Short term debt + Long term debt)/(Short term debt + Long term debt + Total Shareholders' equity). 2. Only companies that have complete data ( payout ratio ) from 2006 to 2010 (18 of 180 companies listed)

Note :Brazilian publicly listed companies with revenues above US\$ 500 M in 2010. Considers individual companies and not conglomerates. Only companies that have complete data ( Leverage and cash ratio ) from 2006 to 2010 (80 of 180 companies listed).

Excluding the outliers Refinaria de Petr3oleos de Manguinhos SA for Family Business.

Source: Orbis and Value Science ; Press search; Companies' websites and fillings; BCG analysis

# Mas e o agora? Contexto de negócios mudou, de maneira geral em todo o mundo...



**Maior incerteza e ambiguidade**



**Maior importância de múltiplos stakeholders**



**Maior velocidade da informação e inovação**



**Ênfase em responsabilidade social e confiança**



**Mudança na demografia da força de trabalho**



**Aumento da competição global e não-tradicional**



**Coexistência de mercados de alto e baixo crescimento**

# ...E de maneira específica, recentemente, no Brasil



**Necessidade de ajuste orçamentário do Governo com aumento da carga tributária**



**Gargalos de infraestrutura permanecem e dificilmente serão resolvidos no curto prazo**



**Baixa liquidez no mercado de capitais**



**Deteriorização dos indicadores macroeconômicos, com baixo crescimento econômico, risco de desemprego e inflação**

# Novo contexto e desafios exigem novo perfil do líder

Complementares às características clássicas do líder empreendedor

## **Abraçar incertezas e ver**

**oportunidades:** conversar com pessoas, visitar lugares

## **Conectar com pessoas:**

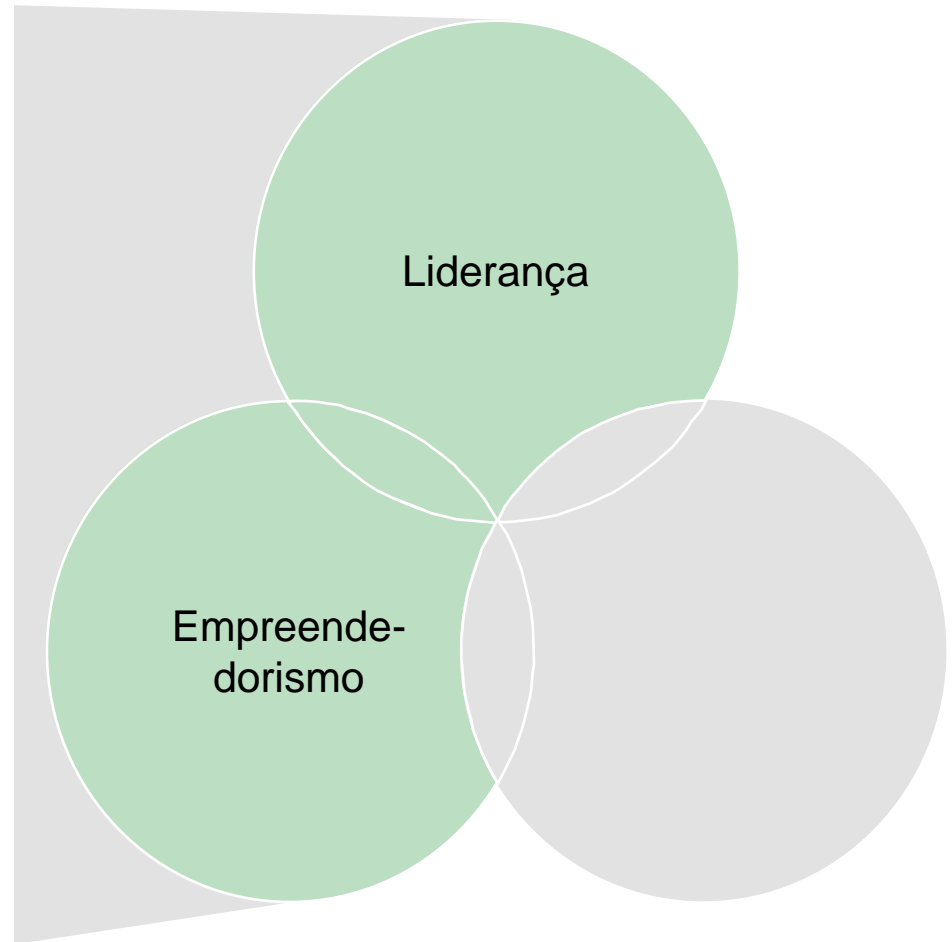
autoridade não vem da hierarquias mas da confiança e da capacidade de inspirar

## **Rápido auto-aprendizado:**

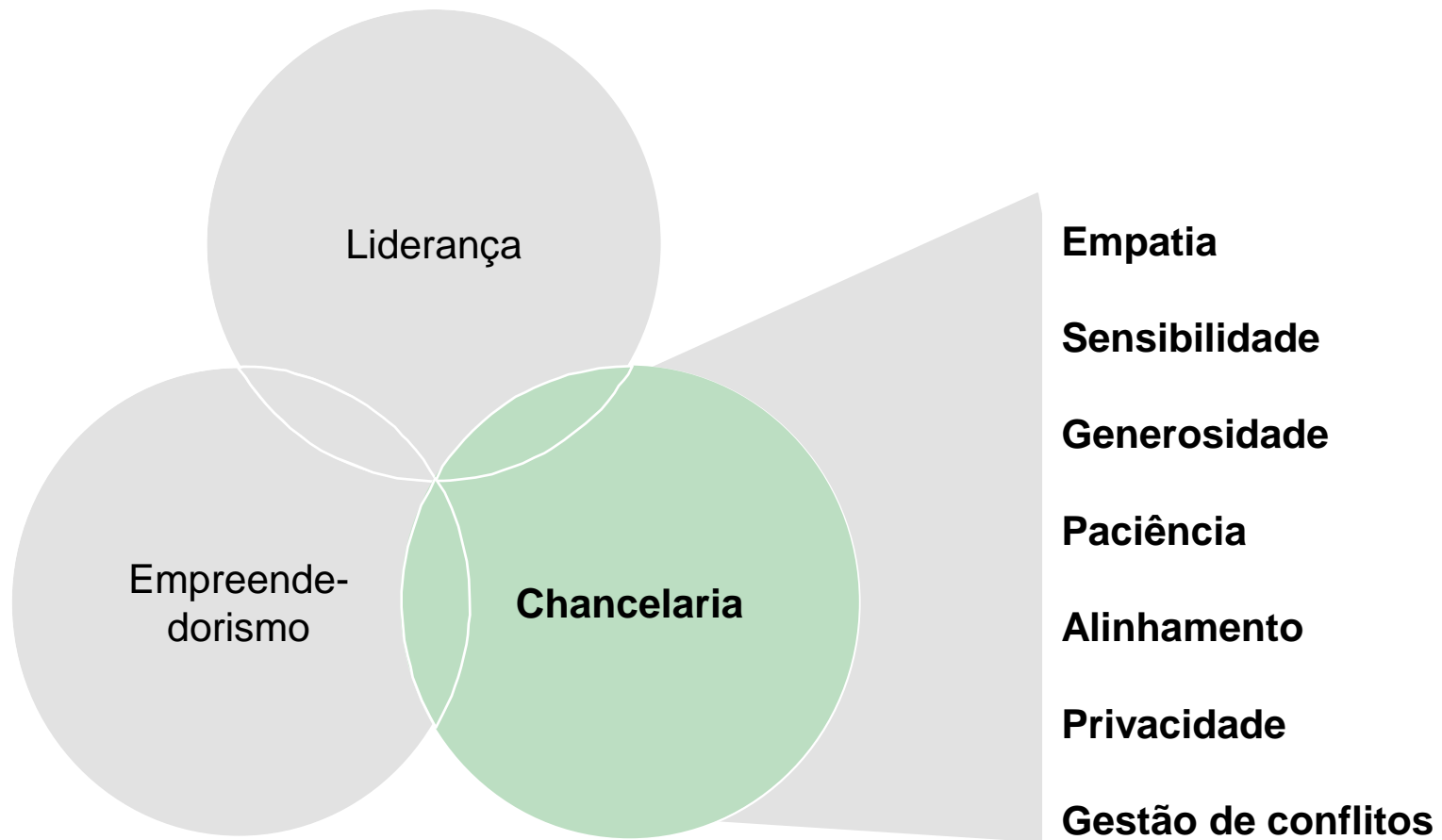
tomar decisões mais rapidamente, sem toda informação, para poder aprender com os erros

**Distribuir o valor:** assegurar que todos participem e se beneficiem do negócio

**Desafiar o status quo/passado:** para poder atuar e mudar o que precisa ser ajustado no curto prazo



# Porém, sem esquecer que liderar uma empresa familiar exige mais que apenas liderança e empreendedorismo



# Final remarks: what we have learnt from our experince

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Its **never to early** to start the conversations

There is **no straight road** – two steps forward, two steps back

The solution for each family is **bespoke and unique**

Embracing the **complexity and inter-linkages** is essential

**Implicit** agreements and understanding are often **inadequate**

All solutions have to **evolve along with the family and the business**

# Thank you

The logo for The Boston Consulting Group, consisting of the letters 'BCG' in a large, green, serif font.

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