



The Effectiveness of Family Owned Companies

AV.consulting Research Paper

Dubai, March 2018



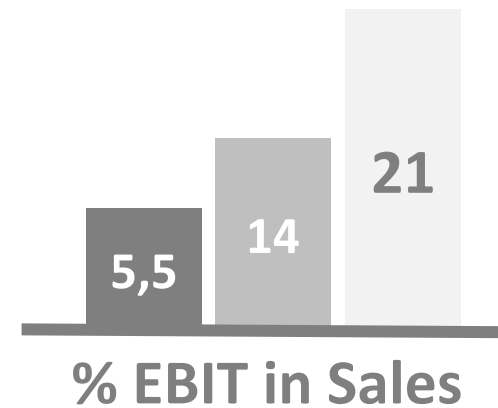
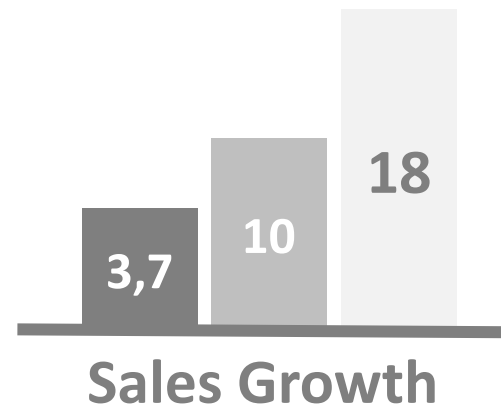
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Example: Germany

99% of all regional companies are family owned companies between 15 and 600 mil. EUR sales, which are not achieving world class performance yet



Average of family owned companies (15 – 600 mil. EUR sales)
Top 100 of family owned companies
Top 100 global public companies (Rank 100 of largest 1200 non-financial sectors)



Objectives of our Research

- 1. Identify the key reason for the performance gap of family owned companies**
- 2. Identify levers to close the performance gap of family owned companies**



Scope of our Research

AV.consulting database of 1.750 largest DACH companies, thereof 1000 in Germany, 250 in Austria and 500 in Switzerland

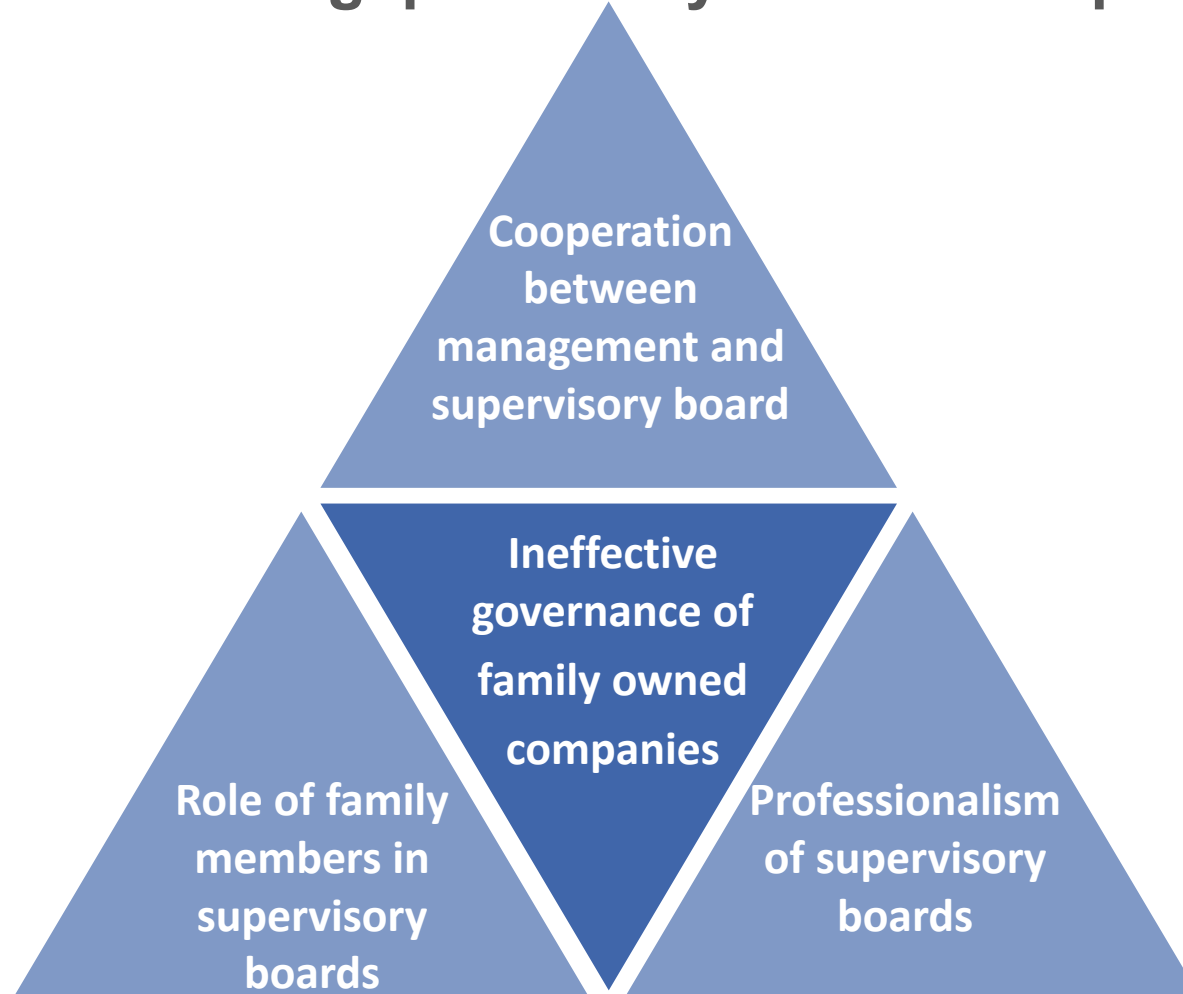
Survey of 500 CXOs of the largest family owned companies in Germany



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Ineffective governance structure is the main reason for the performance gap of family owned companies





Family owned companies have to improve the cooperation between their management and supervisory board

Do you think that there is a gap between what Supervisory Boards are doing and what they should be doing?

20% YES

When you encounter a business problem, do you include Supervisory Board in the discussion?

38% NO

Do you think that Supervisory Boards generally exercise all precautionary measures to avoid conflict of interests that could influence their supervision goal?

17% NO



Family owned companies have to change the role of family members in the supervisory boards

Do you think that it is necessary to add to owner family members also externally hired supervisors?

83% YES

Do you value a governance model, which increases the scope of operational responsibility and autonomy of operational management?

83% YES

Do you think that it is beneficial to implement a governance model, which includes standardized and formalized decision processes for Supervisory Boards?

67% YES



Family owned companies have to increase the professionalism of their supervisory boards

Do you think that Supervisory Board devotes sufficient time in reviewing your company goals and business strategy?

20% NO

Do educational background and working experiences of individual Supervisory Board members contribute to the better performance of a Supervisory Board?

93% YES

Do you think that thoughtful and more comprehensive orientation and training programs for Supervisory Board members would be beneficial?

43% YES



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Lessons Learned

- 1. Improve the cooperation between management and supervisory board:**
 - Focus the activities of the supervisory board on business related topics;
 - Discuss regularly business problems with your supervisory board;
 - Avoid conflict of interests of supervisory board members.

- 2. Change the roles of family members in the supervisory board:**
 - Assign also externally hired supervisors as members of your supervisory board;
 - Increase the scope of operational responsibility and autonomy of operational management;
 - Implement standardized and formalized decision processes for your supervisory board.

- 3. Increase professionalism of your supervisory board:**
 - Devote sufficient time of supervisory board in reviewing company goals and business strategy;
 - Select supervisory board members according to their educational background and working experience which should contribute to the better performance of your supervisory board;
 - Organize thoughtful and comprehensive orientation and training programs for the members of your supervisory board.



Content

1. **Our Roadmap**
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Company Profile of AV.consulting

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Our Story:

AV.consulting was established in 2015 by the Ingolstadt School of Management Professor Dr. Andrej Vizjak, a former PwC and A.T. Kearney senior consulting partner, and his wife Sonja Vizjak, with headquarters in Dubai.

AV.consulting offers clients online support in implementing the vision to “Be(come) The First in the World”.

This vision is based on our Success Formulas Methodology, which won the 2013 Global Advisory Challenge, a contest among 20.000 advisors from all continents. The award was presented by a jury, comprised of global advisory leaders at one of the “Big Four” professional services firms, which chose Success Formulas as the most influential new consulting methodology.

The Success Formulas Methodology draws on statistical evidence based on a sample of more than 10.000 companies over a period of 15 years. The theories underlying Success Formulas have been published in several books translated into 12 languages worldwide, including English, Chinese, German, Italian, Polish and Russian.

AV stands for Ars Vivendi: digital consulting enables a flexible work schedule, mobility and home-office work, and attracts creative world-class experts, who prefer a modern way of life.



Our Clients:

Our vision is to (Be)come the “First Digital Strategy Consultants” in the World.

Our value proposition:

- Convenience and price advantage of digital consulting
- Unique strategy methodology and a database of 10.000 companies covering 15 years
- Problem solutions, from analysis to implementation
- Long-term commitment to client results

The initial clients of AV.consulting in 2015 were:

- A Dubai-based financial institution
- An international telecoms operator based in GCC
- A global food-production company based in Switzerland
- A global pharmaceutical company based in Switzerland

All four clients have unique capabilities and global leadership positions.

AV.consulting has since served more and more clients around the globe to (Be)come The First in the World.



Our Services:

Reactive change management support:

- Renegotiating your most important supplier contracts;
- Downsizing loss-making units;
- Optimizing sales with unprofitable customers or product segments;
- Reducing overhead cost.

Proactive change management support:

- Allocating resources to those product/market segments with the highest growth potential;
- Developing unique growth capabilities;
- Defining initiatives such as digitalization, process reengineering, strategic purchasing;
- Measuring and benchmarking key activities to achieve world class performance.

Appointing Andrej Vizjak as a non-executive Chairman to the board

- Coaching the incumbent CEO;
- Guiding the new CEO during transition.



Curriculum Vitae of Andrej Vizjak, the Founder and CEO of AV.consulting

Andrej Vizjak was born on May 9, 1965 in Ljubljana. Several times in his career, he has achieved world-class distinction. He completed his studies at the Economic Faculty in Ljubljana in record time and obtained his PhD at Munich University, Germany, at the young age of 24. His doctoral research was on strategic planning – today in this field, he is recognized as one of the most recognized experts globally.

Two years before graduation, he had already embarked on his consulting career, first in cooperation with McKinsey & Co and later at A.T. Kearney, where he was elected Principal in 1994 and Vice President in 2000. Afterwards, he achieved the leading market share in his South East European region. He was simultaneously studying at the Harvard Business School and appointed Professor at the Ingolstadt School of Management in Germany. As a board member and long-term consultant, he supported the development and implementation of Gorenje's vision to become the world's most design-driven innovator of home appliances.

He is the author of 25 books, published by globally leading houses and translated into 12 languages. With his Success Formulas methodology, he won the 2013 Global Advisory Challenge, a competition for the most influential consulting concept in the world.

Andrej Vizjak has leadership experience at the highest management level in multinational companies exceeding annual sales of \$10 billion. He served as Executive Vice President of the Bertelsmann media company during 1995–2000, when it became the largest book publisher in the world. He was a Senior Partner and Chief Innovation Officer for Central and Eastern Europe of PwC during 2010–2015, when it was the largest advisory company in the world.

In 2015, he founded, together with his wife Sonja Vizjak, the Dubai-based company AV.consulting, with the vision to create the first digital consulting company. Now he is advising other companies on how to be(come) the first in the world.



Selected consulting projects of Andrej Vizjak

Global clients:

Deutsche Telekom Group, a leading global telecom operator

Bertelsmann Group, a leading global media company

Novartis, a leading global pharmaceutical company

Hipp, a leading global baby food producer

Gorenje, a leading global producer of household appliances

Nice Label, a leading global marking and labeling software company

Regional companies:

Studio Moderna, a leading regional teleshopping company in Central and Eastern Europe

Gebrüder Peters, a leading local facility service company in Bavaria, Germany

MDM, a leading regional steel distributor in South East Europe

Jamnik, a small regional niche packaging company in Central Europe

Royal Vision Group, a leading local financial institution in the Middle East

Ooredoo, a leading regional telecom operator in the Middle East



Our Global Footprint:



Austria



Australia



Albania



BiH



Bulgaria



China



Costa Rica



Croatia



Czech Republic



Germany



India



Italy



Kosovo



Malaysia



Montenegro



Poland



Qatar



Republic of South Africa



Romania



Russia



Serbia



Singapore



Slovenia



Switzerland



UAE



UK



USA



Our Publications:

AV.consulting Research Papers

The Effectiveness of Changing the CEO

The Effectiveness of Crisis Management

The Effectiveness of Managing Growth

The Effectiveness of Family Owned Companies

Lessons Learned from Top Performing Industries

Lessons Learned from Global Industry Concentration

Books by Andrej Vizjak:

Be(come) The First in the World (2017, available on www.andrejvizjak.com)

Success Formulas for the New Decade (2011)

Competing Against Scale (2008)

Books co-authored by Andrej Vizjak:

Innovation Excellence in Central and Eastern Europe – a PwC Experience (Wiley Zurich, 2012)

Beating the Global Consolidation Endgame (McGraw Hill New York, 2008)

Media Management (Springer New York, 2003, 2010, 2013)

ANDREJ VIZJAK

Be(come) The First in the World



GV
ZALOŽBA

KUBENA
OKES-VOYSEY
VIZJAK

MIKE KUBENA · MARK OKES-VOYSEY · ANDREJ VIZJAK

INNOVATION EXCELLENCE IN CENTRAL & EASTERN EUROPE

INNOVATION EXCELLENCE IN CENTRAL & EASTERN EUROPE

A PWC EXPERIENCE



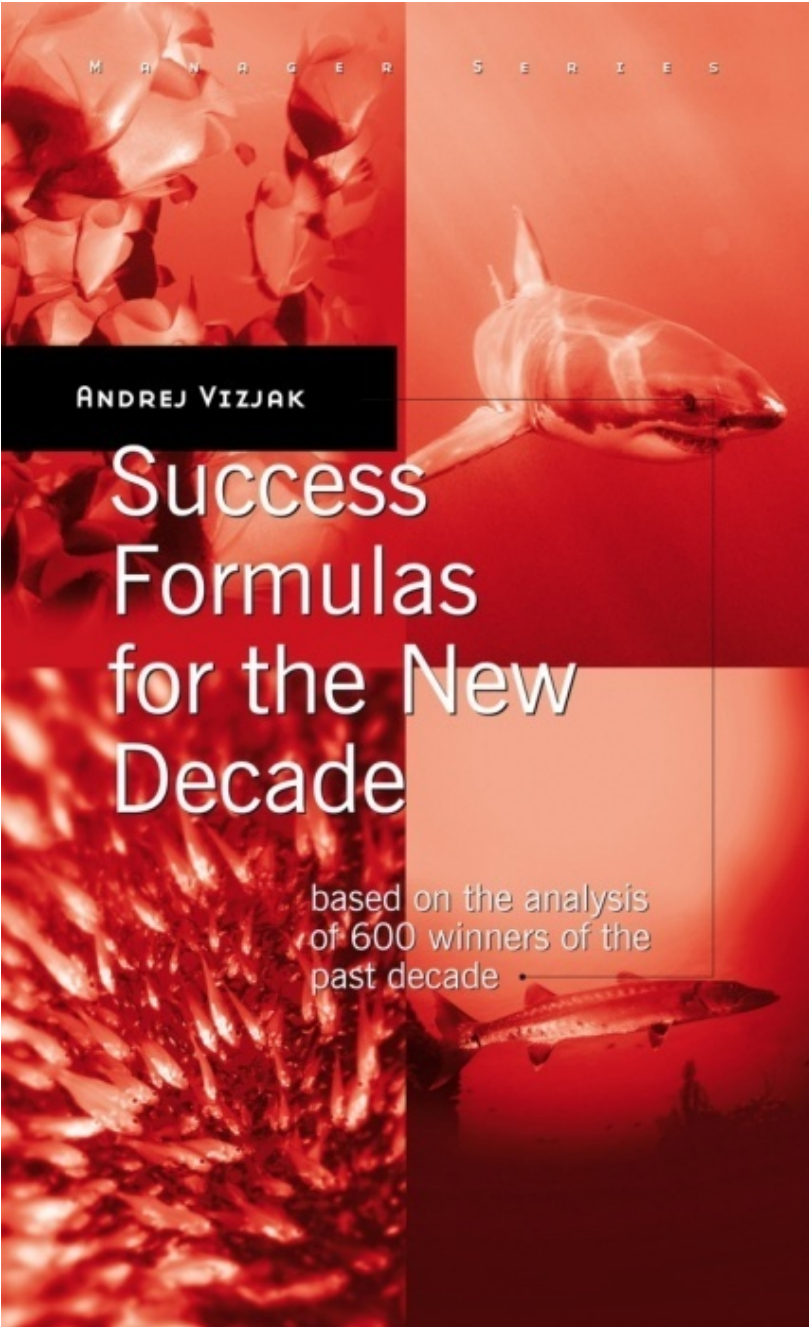
The PwC Wheel of Innovation Excellence comprises what innovation is all about and it can be used to systematically strengthen your company's power to innovate and, furthermore, speed up the process. Innovation excellence starts with setting a clear direction for the company and respective follow-up actions. All companies have individual DNA and can be categorized into four winner types. They all have an equal chance of being successful. Each type requires different approaches to follow the Wheel and needs different strategies to become sustainable. PwC's Success Formulas will help you make the right strategic decisions. After defining your own growth path the innovation concept develops concrete innovation strategies and processes as a framework, which puts innovation forward. The journey from trends and ideas to products has to be managed. Innovation today, due to the increasing importance of time-to-market, involves many people – inside and outside the company. Collaboration is necessary to identify breakthrough ideas within your overall network, which must comprise innovative people who are motivated by the rewards that will come with a successful product launch. Developing and assigning key talent for innovation teams becomes even more critical in times of perceived talent shortages. But employees alone – even if they are highly motivated – are not enough. The drive for innovation must come from top management through their support of a culture that is open to new ideas and systematic in its approach to delivering innovations. Creative leadership is necessary to foster innovativeness. Companies in CEE have great chances to outperform their Western counterparts or competitors through innovation because they are just at the beginning of a free market economy. Their newly appointed structures are less worn and decrepit as in many Western companies. However, there is still a long and rocky way to go. Several steps are necessary for a company to become a winner by innovation.

M A N A G E R S E R I E S

ANDREJ VIZJAK

Success Formulas for the New Decade

based on the analysis
of 600 winners of the
past decade



M A N A G E R S E R I E S

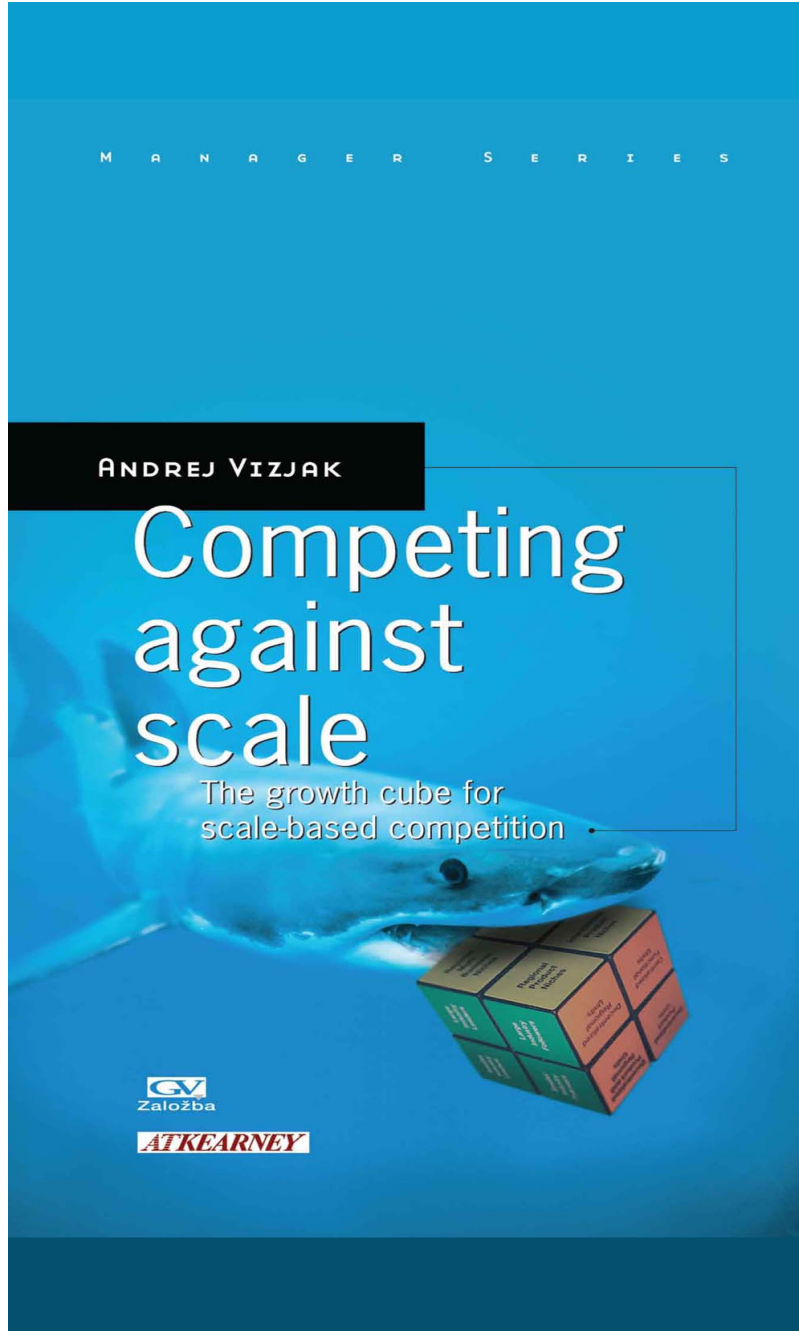
ANDREJ VIZJAK

Competing against scale

The growth cube for
scale-based competition

Založba

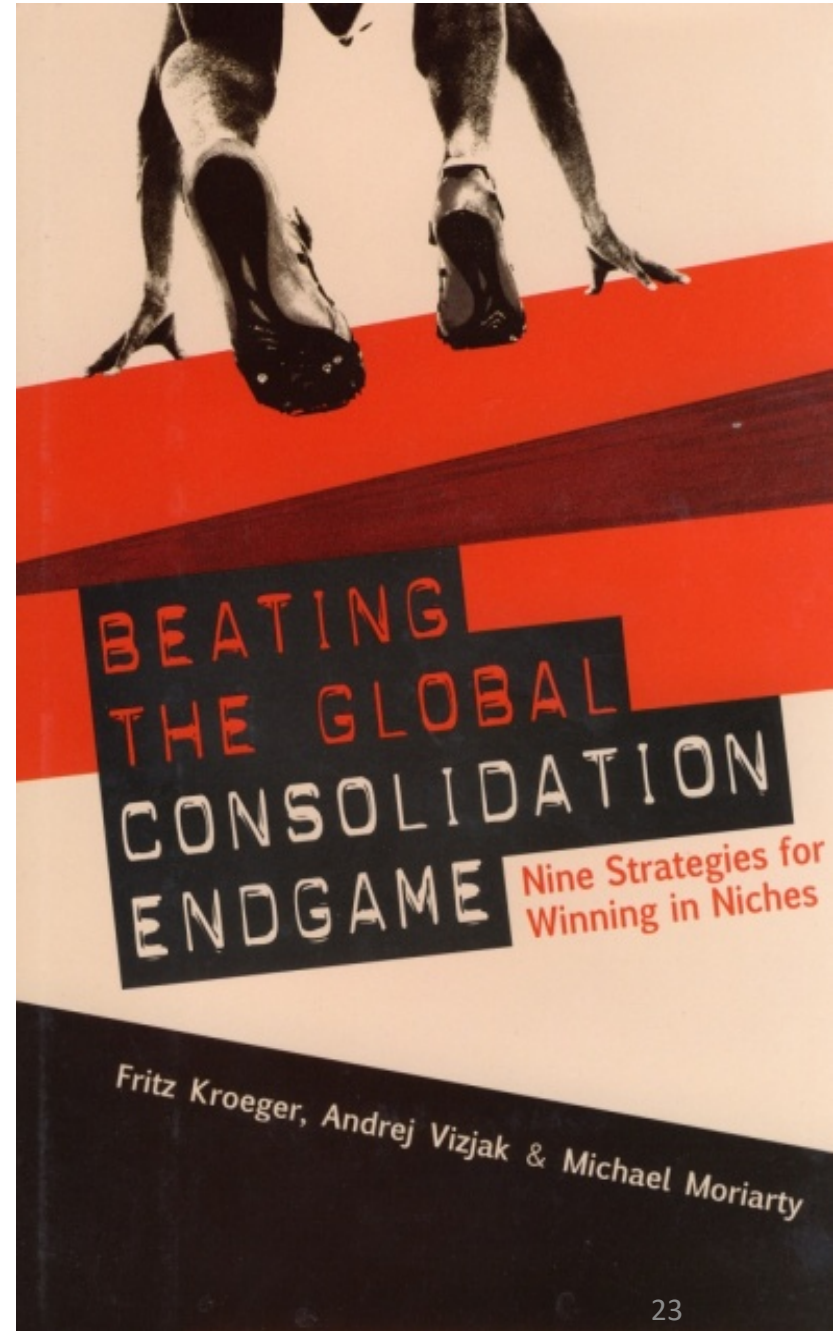
ATKEARNEY



BEATING THE GLOBAL CONSOLIDATION ENDGAME

Nine Strategies for
Winning in Niches

Fritz Kroeger, Andrej Vizjak & Michael Moriarty





Our Contacts:

Andrej Vizjak
Phone: +971 52 8736277
Email: andrej@av.consulting

Corporate Administration:
Andrej Vizjak FZE
Office No 101, Block A5
Business Park,
Dubai South –DWC
Dubai UAE

P.O.Box 113225

Sonja Vizjak
Phone: +971 56 2088839
Email: sonja@av.consulting

Operating Headquarters:
AV.consulting
Grandeur Residences
Mughal B306
The Palm Jumeirah
Dubai UAE

P.O. Box 113225