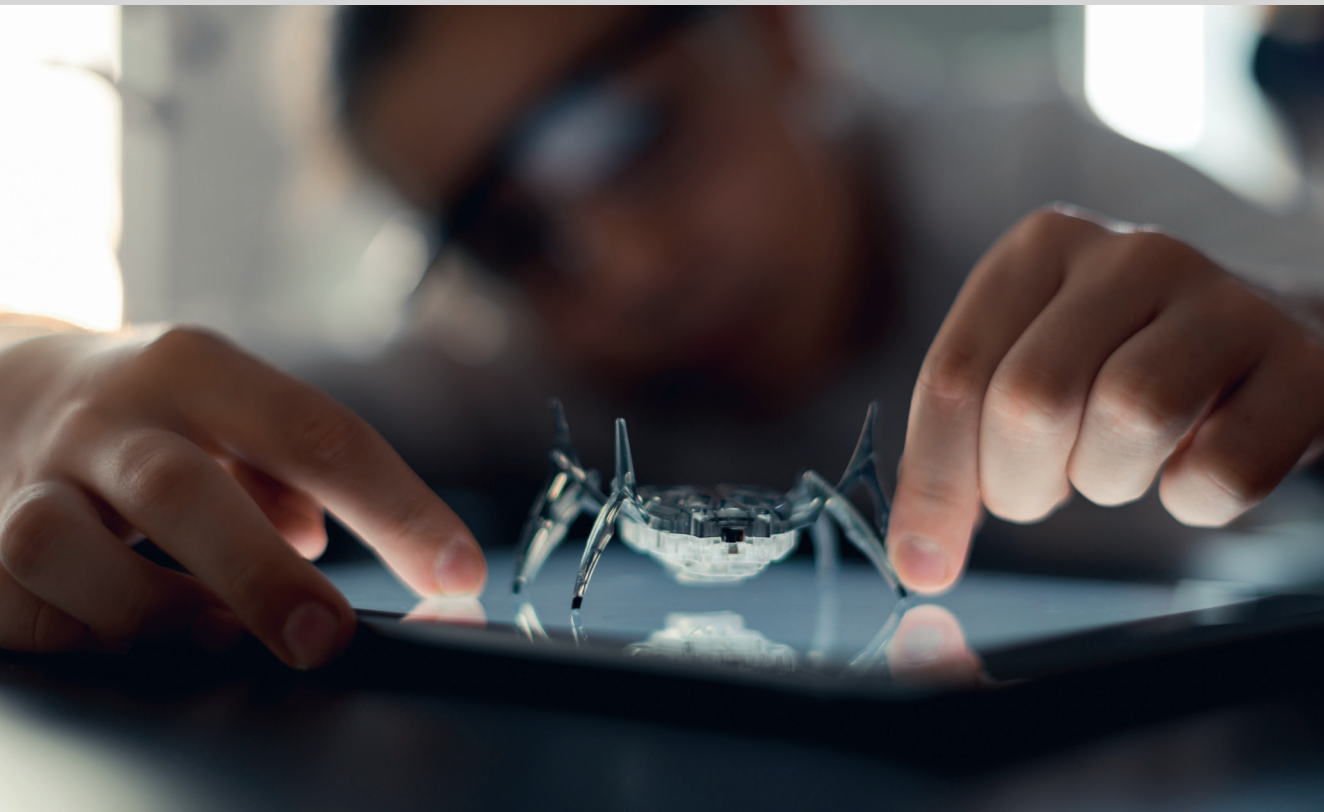


PwC's Global NextGen Survey 2024

Success and succession in an AI world



By dynamically fusing leadership transition and generative AI, family enterprises create opportunities for the next generation.



www.pwc.com/nextgensurvey2024

As the reins of family businesses are set to pass into the hands of a new generation of leaders, a profound transformation is underway—one fuelled by the catalytic force of generative AI (GenAI). This moment marks not only a change in leadership, but a strategic shift towards harnessing a fundamentally new technology within family-run and -owned businesses.

For those that get it right, generative AI will shape future success. And we believe that the next generation of family business leaders (a group we call NextGen, which refers to members of the next generation of a business-owning family who are between ages 18 and early 40s and are aiming to become responsible owners, influential board members or visionary leaders) hold the key to this transformation. Our global survey of more than 900 NextGen suggests not only that they are more optimistic about generative AI than the incumbent generation, but that they understand the urgent need to shift responsibility for AI out of discrete silos and to deploy it to support enterprise-wide adoption in their companies.

73%

of NextGen believe that generative AI is a powerful force for transformation, but many question the ability of their family business to capitalise on it.

Source: PwC's Global NextGen Survey 2024

NextGen show remarkable alignment with the sentiment of global chief executives regarding the transformative powers of generative AI. According to the [2024 PwC Global CEO Survey](#), 70% of business leaders believe that generative AI will significantly change the way their business creates, delivers and captures value. We also see broad acknowledgment of the importance of developing an [“early days” generative AI strategy](#) to get ahead of an accelerating existential crisis. Fully half of all bosses of privately owned companies—of which family businesses are an important subset—say that their company will cease to be viable within ten years if they stay on the current path.

We cannot afford for family businesses to ignore this transition. Family businesses are a substantial part of the economy, contributing approximately [70% of global GDP](#) and employing [60% of the world’s workforce](#). Thus, harnessing the potential of generative AI isn’t only about any one firm staying competitive; it’s about shaping the global economic landscape. NextGen as future business owners—and important inheritors of the [largest wealth transfer in history](#)—have a unique responsibility towards their business, its employees, their families, society and the environment. This includes an outsized interest in the business’s ability to responsibly navigate the [hype, hopes and fears](#) surrounding generative AI.

Our survey findings and the important actions we outline below across three critical areas—innovation, trust and succession—show that these changes cannot be delayed until the next natural transition of generational ownership. They must begin now.

Turbocharging innovation in family businesses

The willingness of NextGen to explore new ideas and technology while feeling that they are fighting against the more traditional instincts of the current leadership is a long-standing trend in family businesses. The reality is that each generation has its own capabilities and is working towards the same goal: to secure the business and its legacy.

‘**The hardest part of digital transformation is changing the culture of the business to align with new challenges—and that’s even more difficult in a family-owned and -operated enterprise.**’

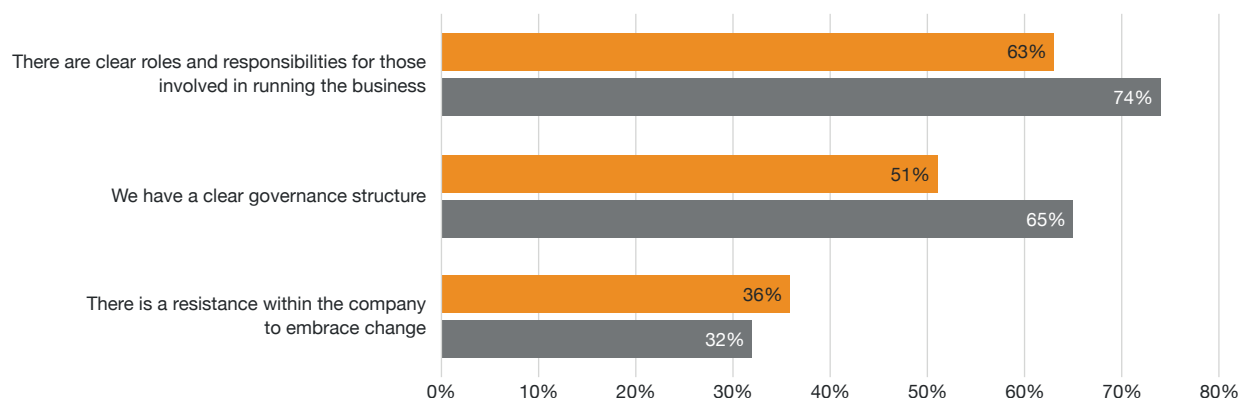
Enrique Hinojosa, fourth generation, Welldex Logistics, Mexico

More than 70% of NextGen believe that AI is a powerful force for business transformation, but they are rightly concerned about the ability of their family business to withstand the disruption of generative AI and to capitalise on its opportunities. They are significantly less optimistic than the current generation of leaders about the business’s readiness and doubt that the current generation grasps the full potential of AI. The upsides encompass ‘unlocking a range of opportunities, including improved products and services, faster time to market, improved decision-making and higher profits,’ according to Scott Likens, Global AI and Innovation Technology Leader, PwC US.

NextGen are less positive than the current generation on issues related to clarity of roles, governance and digital capabilities

Question: How strongly do you agree or disagree with the following statements? (Showing only 'agree' responses)

■ NextGen ■ Current generation



Note: Respondents provided an answer on a 5-point scale from 'disagree strongly' (1) to 'agree strongly' (5); *agree* is the sum of respondents who selected 4 or 5.

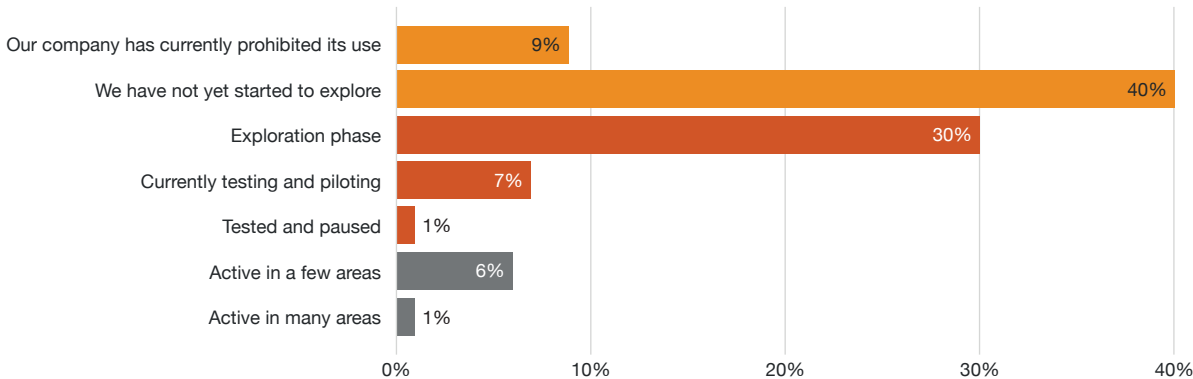
Source: PwC's Global NextGen Survey 2024

Family businesses, which typically approach innovation more cautiously than publicly listed companies, do indeed find themselves in a precarious position. Almost half of family businesses (49%) have either prohibited or not yet started to explore AI, and only 7% have implemented it anywhere in the business. In comparison, 32% of all CEOs say they have [already implemented AI in their business](#), and 31% of all CEOs say they have changed their technology strategy as a result of AI.

Very few family businesses are actively using generative AI

Question: How would you describe your family business's current level of adoption of generative AI?

■ No activity ■ Early stage ■ Currently implemented



Source: PwC's Global NextGen Survey 2024

There are solid reasons for this conservative approach. In any business or sector, implementing generative AI is a marathon rather than a sprint. Any company will need to **strike the right balance** between urgency and prudence: move too slow, and you lose out to your competitors; move too fast, and the risks increase significantly.



The driver for the incumbent generation will be when they see the results of industries that have implemented AI, compared with those that have not—even more so when you see your margins decrease and the margins of your competitors increase.



Hristo Hristov, second generation, Darik Holding, Bulgaria

Financing innovation

Family businesses in particular are rarely technological front-runners. Due in part to their restricted access to capital, as a rule they heavily favour proven technology over emerging tech like generative AI. However, the investment landscape appears to be shifting, and may signal an increased willingness to innovate. Family businesses consistently report healthy growth, with 43% reporting double-digit increases in sales last year, according to research conducted for our [Family Business Survey 2023](#). What's more, private equity has become an increasingly attractive option for family businesses seeking a capital injection, a strategic partner or a rapid exit route. Research by PwC Germany shows that 90% of family businesses would now welcome [private equity investment](#)—a significant rise from 2011, when only 18% said the same.

Next steps for the incumbent generation

- **Learn what generative AI could mean for you.** Family businesses urgently need to assess the consequences of generative AI, positive and negative, direct and indirect—including the consequences of doing nothing. Don't lose any more time; start the assessment now.
- **Put AI on your CEO and board agenda.** The decision to implement generative AI in the business should be a debate about strategy, not about functions, tools or technology. However, it is currently treated as a strategic topic by the CEO or board in just a small minority of family businesses—and in the rest, it is addressed only on an operational level or is delegated to the head of IT.
- **Focus on timing and communication.** The management of wealth is closely linked to the concept of [ownership competence](#): the skill through which ownership is used to create value. In the context of generative AI, it is important to get your strategy, governance and timing right. Employees, customers, and other stakeholders expect clear leadership and guidance from the business owners to overcome fears and internal resistance—and, ultimately, to set the foundation for growth and innovation.

Next steps for the next generation

- **Seek out dialogue.** You may be wondering whether it is appropriate to raise your questions and concerns about technological transformation. However, if you feel well equipped to understand the opportunities and risks related to generative AI, don't be afraid to talk to the current generation of leadership; it will be for your mutual benefit.
- **Understand your business and its limits.** You need to be knowledgeable about the current business model and the financial and organisational limits of the company before you can challenge them. If you are unfamiliar with the business's culture, capabilities and skills, ask for opportunities to learn and become better acquainted with them
- **Initiate or volunteer for pilot projects.** Embrace opportunities to learn, try and fail in order to develop your skills and talents with great passion. Use this potential to initiate or volunteer for generative AI pilot projects, which will allow not only you but also the organisation to learn faster and get familiar with the new technology.

Protecting trust in an AI-driven world

Trust in business and trust in technology are inextricably linked. The rapidly evolving landscape of generative AI places considerable pressure on leaders to make the right decisions for their customers, their employees, the environment and society. Family businesses, which consistently rank as the [institutions most trusted to do what's right](#), are well situated to build trust.

Family businesses have to observe guard rails as they experiment with generative AI—and they can't afford to get it wrong. According to Scott McLiver, Asia-Pacific generative AI partner, PwC New Zealand: 'The rise of generative AI marks a significant change in how businesses create and capture value. It also casts a spotlight on the resilience and adaptability of family businesses, and puts their enduring trust premium under pressure.'

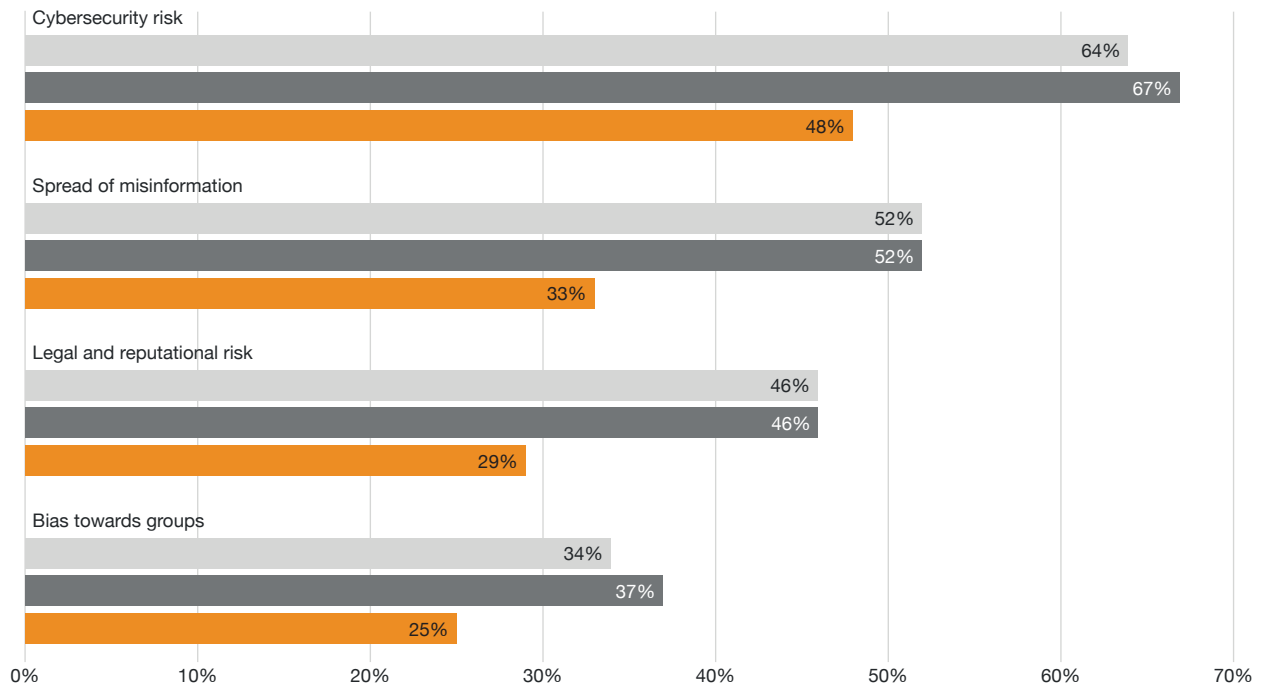
Mind the risk

Global CEOs see a variety of risks associated with generative AI, including cybersecurity risk and the potential for biased decisions being made or biased actions being taken towards groups of employees or customers. CEOs of family businesses show similar levels of concern. But NextGen are notably less concerned—which could suggest either that they are underestimating the risks associated with generative AI or that they, as a younger, more tech-savvy cohort, are more knowledgeable and experienced than the established business leaders.

NextGen perceive fewer risks associated with generative AI than CEOs do

Question: To what extent do you agree or disagree that generative AI is likely to increase the following in your company in the next 12 months? (Showing only 'agree' responses)

AI CEOs* Family business CEOs* NextGen



Note: Respondents provided an answer on a 5-point scale from 'disagree strongly' (1) to 'agree strongly' (5); *agree* is the sum of respondents who selected 4 or 5.

Source: PwC's 27th Annual Global CEO Survey (*), PwC's Global NextGen Survey 2024

Even so, NextGen understand the importance of implementing generative AI carefully; 50% believe that there is an opportunity for family businesses to lead the way on the responsible use of AI and other technology. Conscious, responsible adoption will ensure that family businesses gain from the technology while protecting their vital trust premium with employees and customers.

‘

We use [AI] today in our loyalty apps, so that our customers get deals on products they like. However, the AI did not give great results in the beginning, as it took a while for the technology to learn customer habits. We saw that having the right amount of communication was important for our franchisees to give the technology some time to work properly.

’

Sunniva Reitan, fourth generation, Reitan AS, Norway

For family businesses, that translates to an urgent need to make AI a strategic issue, and to pay close attention to governance and communication. By doing this, they can show that generative AI can be implemented with a high level of care, diligence, oversight and controls. Strong governance is essential. But because family businesses are at a very early stage in the journey, only 6% have defined governance around using AI responsibly; an additional 62% believe they should establish such governance but haven't done so. NextGen also strongly believe that good communication with employees is crucial to preserving trust—84% believe that there should be training for management and employees so they can better understand the risks and opportunities of AI, although only 12% of businesses have taken this step so far.

Governance and training around using AI responsibly are missing, but wanted

Question: Do you believe your family business should have governance around using AI responsibly?

No Yes, but we do not have this defined yet Yes, and we already have this defined



Question: Do you believe that your family business should offer training for management and employees to understand the potential risks and opportunities related to AI?

No Yes, but we don't do so yet Yes, and we already do



Note: Not showing 'Don't know' answers

Source: PwC's Global NextGen Survey 2024

“ It’s very important that we get to know and understand AI—we may think we understand it, but we don’t yet know its limitations. ”

Ronald Adiwijaya, fifth generation, PT Nojorono Tobacco International, Indonesia

Next steps for the incumbent generation

- **Decide where best to direct resources.** Investment in AI follows two broad routes: transforming your current operations (by achieving productivity gains and/or developing new products and services), or investing in new companies through corporate or family ventures. The two are not mutually exclusive, but the board needs to be clear about where the business will direct its resources.
- **Align family values, business purpose and governance.** Family businesses can be conscious adopters of generative AI, but it is important for everyone in the family to understand what this means and how it aligns with the family values and business purpose. Reviewing your family and corporate governance as well as your leadership and board composition will help to get this right.
- **Listen and explain.** Maintaining the trust of employees requires strong and clear communication from leadership. Fully 82% of respondents to the 2024 Edelman Trust Barometer survey said that active listening by leaders—hearing concerns and answering questions—builds trust.

Next steps for the next generation

- Get your licence to earn trust. You want to earn recognition and respect in your own right and not trust your birthright. A solid education and relevant working experience outside the family business will give you the confidence to contribute and the ability to earn the trust necessary for future leadership or board positions.
- Be clear on your motives. NextGen should be clear why they want to join the family business. What is your passion; what are your motives?
- Become familiar with the rules and regulations. NextGen should position themselves as being able to navigate ethical considerations and legal frameworks to foster responsible AI adoption and ensure sustained growth in their company.

Maximising NextGen’s contribution

NextGen understand their value in an AI-driven world—40% believe being an AI champion will help them move into a leadership position. But this is much more than a golden opportunity for NextGen to carve out an important role in the business. The legacy of family businesses is at stake.



One of our family companies is already using AI. In the more established business, a manufacturing company which has been going for 70 years or more, it’s hardly discussed. The two sides of the business definitely need to talk more and explore synergies.



Aaro Vasama, fourth generation, Kemppi Group Oy, Finland

Only 14% of family businesses currently have a team or person in the company who is directly responsible for generative AI, often the head of IT. The likelihood of such a position existing increases in larger and more mature companies. So far, NextGen have not been closely involved—only 12% are already engaged in AI—but a further 58% say that they are likely to be engaged in generative AI discussions in the future. NextGen’s potential is being neglected, which will have consequences for the business, for governance and for family dynamics.

‘The generative AI champions of tomorrow are likely to be passionate and entrepreneurial challengers,’ says Frauke Schleer-van Gellecom, EMEA finance transformation (generative) AI partner, PwC Germany, ‘rather than mature experts who tend to think within the current boundaries.’

NextGen already using generative AI are in the minority, but show huge potential

Question: Are you actively engaged at present or likely to be engaged in the future in the area of generative AI?

■ Engaged now ■ Likely to be engaged



Note: Not showing 'Don't know' and 'Not engaged' answers

Source: PwC's Global NextGen Survey 2024

NextGen who are already actively engaged in AI are more forward-looking in their approach to the business; they are also more likely to be engaged in sustainability investment, for example, and in investing in innovation and R&D. They are more optimistic about the opportunities that AI brings, but also clear about the impact AI could have on the business and its workforce and skills.



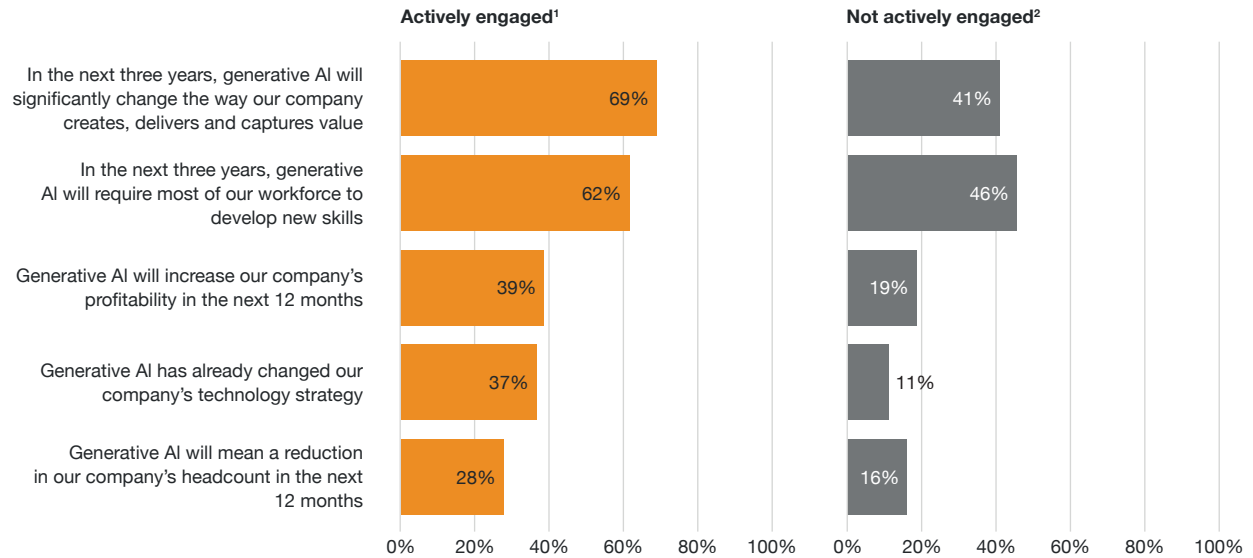
We are at an early stage of contemplating the use of AI in the business, and I make sure that the people responsible for considering our options keep me in the loop. I don't have a background in IT, but I feel I can add to the debate because I come from a newer generation and can show a modern mentality.



Marta Barceló, 4th generation, Barceló Group, Spain

NextGen who are actively engaged with generative AI see benefits to the business from the new technology

Question: To what extent do you agree or disagree with the following statements about generative AI? (Showing only 'agree' responses)



¹ *Actively engaged* are the 12% of respondents who chose that answer in the chart above called 'NextGen already using generative AI are in the minority, but show huge potential'

² *Not actively engaged* are the 88% of respondents who chose an answer of 'Likely to be engaged,' 'Not engaged' or 'Don't know' in the chart above called 'NextGen already using generative AI are in the minority, but show huge potential'

Note: Respondents provided an answer on a 5-point scale from 'disagree strongly' (1) to 'agree strongly' (5); *agree* is the sum of respondents who selected 4 or 5.

Source: PwC's Global NextGen Survey 2024

Next steps for the incumbent generation

- **Involve NextGen in generative AI.** You can start by engaging NextGen in low-risk, high-return generative AI pilot programmes. This will support the generational transition and prepare them for future roles in the business. Treat them as a valuable resource with which to build your AI strategy and firm-wide AI capabilities.
- **Use NextGen and their enthusiasm to strengthen the board.** Combine NextGen's acumen for technology with the business experience of older board members. Invite them as guests to your board meetings, and allow them to listen, learn and contribute their fresh ideas and perspectives.
- **Think beyond the obvious impact.** The impact of generative AI on family businesses will be felt well beyond operations and the business model. Consider and plan for how it will affect family investments, wealth management, succession planning and long-term strategic decisions.

Next steps for the next generation

- **Strike the right balance.** Finding the balance among respect, continuity, disruption and change is key to making the business ready for the generative AI future. Your role is to challenge the status quo in a constructive and respectful manner.
- **Seek the opportunity.** Be confident, and ask the incumbent generation how you can get involved as an intern, project member, sounding board and so on. There are many ways the company can put your skills and passion to use.
- **Show that you care.** Show your employees, co-workers and family members that you understand their hopes and concerns when it comes to generative AI. This will allow you to make a better impact and avoid internal resistance when you have the opportunity to get involved in the AI transformation.

Be smart, not fast

The views of the next generation of family business leaders underscore a compelling narrative surrounding generative AI. Although adoption may currently be limited, a considerable segment of NextGen demonstrate a forward-thinking approach, indicating that they will soon make use of the technology's transformative capabilities.

We are at a critical inflection point, wherein NextGen possess a unique perspective that can help shape the leadership transition process. By contributing ideas, spearheading initiatives and catalysing organisational change, they have the power to not only propel innovation but also determine the strategic trajectory of family enterprises in an era defined by digital disruption.

The authors would like to thank the NextGen Advisory Council and the NextGen who took part in the survey.

About the NextGen Survey

PwC's Global NextGen Survey 2024 is an international market survey among next-generation members of family businesses. The goal of the survey is to get an understanding of what NextGen are thinking on the key issues of the day, what role they are playing and what roles they think they should play. The survey was conducted online with 917 interviews in 63 territories; the global analysis was based on survey findings between 13 November 2023 and 23 January 2024.

PwC's Global NextGen Survey 2024

www.pwc.com/nextgensurvey2024

© 2024 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 360,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

