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The Swiss Family  
Business Model

# Introduction

In this special edition of the Credit Suisse Research Institute's 2017 Family Business report, we take a closer look at Swiss family-owned companies and assess their performance compared to their global peers. Very much in line with our previous conclusions in relation to Switzerland, notably our study "Switzerland: A Financial Market History" published earlier this year, we find that over the past decade, Swiss family-owned businesses outperform their local non-family-owned peers by around 9% annually, while also outperforming family-owned companies in Europe and globally. Moreover, when compared to a global list of the largest family-owned businesses, Swiss companies also tend to generate higher profits (by 400 basis points).

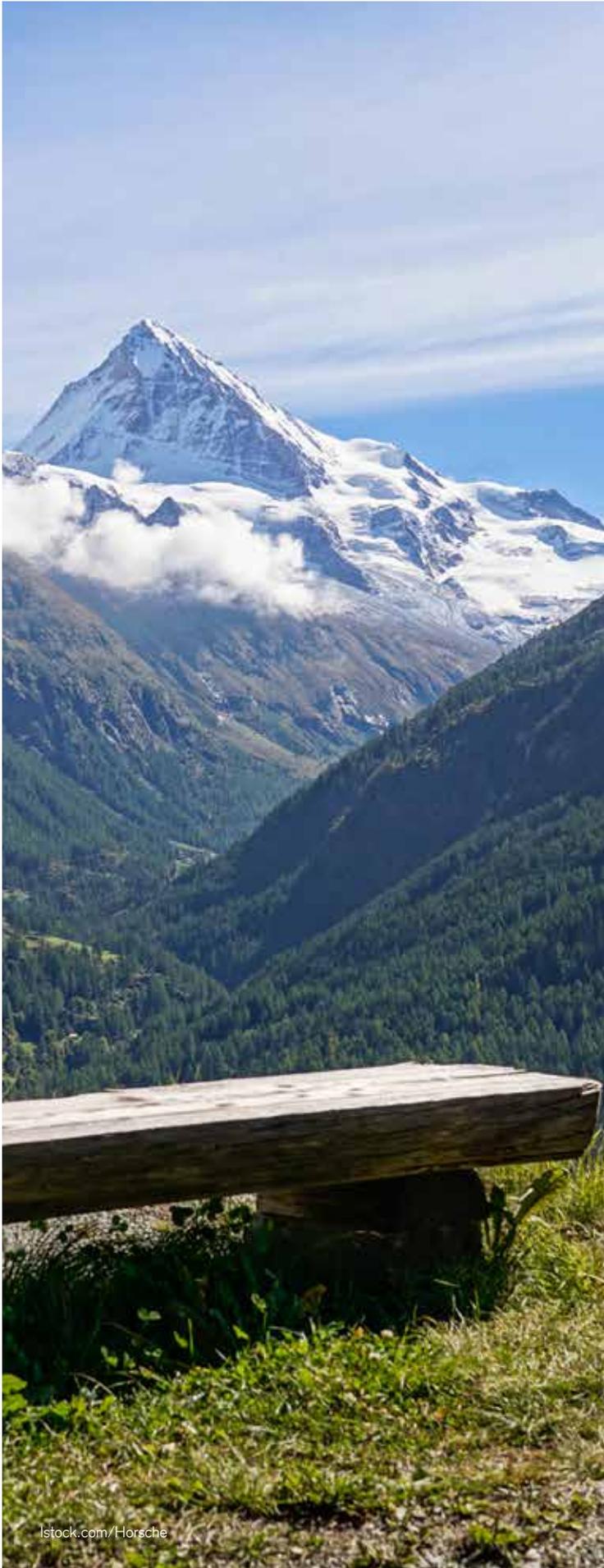
In this report, we examine the business performance of 18 leading Swiss family-owned businesses, while taking a particularly close look at ten of them, through a survey, with the aim of not only drawing a qualified comparison, but also to gain a better understanding of their key decision-making principles. The assessed group has an average market cap of USD 22 billion and consists mostly of businesses in the healthcare, consumer goods, materials and industrial goods sectors. Interestingly, besides the aforementioned impressive performance, Swiss family-owned companies tend to have a longer track record than their global peers. Their average age is 86 years and in some areas such as the industrial sector, we see a remarkable history spanning across nearly 160 years. This compares to 37 years for peers in Asia (excluding Japan) and 30 years in Europe, Middle East and Africa.

Size is often an important characteristic of family-owned businesses and our research shows that Swiss small-cap companies outperform their mid- and large-cap peers, while all three size groups perform better than their respective non-family-owned companies.

What else makes them different? Swiss family-owned companies tend to worry about global competition, retaining talent and the need to innovate, the latter being their biggest concern. Accordingly – and much to their long-term benefit – they put a greater emphasis on research and development than their family-owned peers elsewhere. Despite this highly positive picture, they remain more cautious when it comes to their future growth expectations than their competition.

We hope that you find the trends and analysis in this report insightful and wish you an enjoyable read.

**Urs Rohner**  
**Chairman of the Board of Directors**  
**Credit Suisse Group AG**



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# The Swiss Family Business Model

In this special edition of the Credit Suisse Research Institute's 2017 Family Business report, we provide an insight into the financial performance of Swiss family-owned companies. In this deep-dive assessment, we draw upon the conclusions of our global report, while taking a close look at and comparing the largest family-run businesses based in Switzerland. Lastly, we share the view of over 100 surveyed family-owned companies including ten from Switzerland in relation to their future growth aspirations, areas of concern and the implementation of some key ESG policies.

## Swiss family-owned companies outperform their peers...

Our analysis provides a compelling investment case for family-owned companies in Switzerland. During the past ten years, they outperformed local non-family-owned companies by around 900 basis points per year. In addition, they also outperformed family-owned peers in Europe and globally. Our analysis suggests that the size of the family holding is not a key return driver. Younger firms tend to perform better than mature family-owned companies, but this may be because of a small-cap growth style rather than a reflection of succession risk.

## ...supported by superior growth and profitability

The financial performance of Swiss family-owned companies is superior to that of non-family-owned businesses. Revenue growth tends to be stronger, cash flow returns are better and balance sheets are typically much less geared than in the case of non-family-owned companies. When we compare Swiss family-owned companies to peers elsewhere, we find that shareholder value creation is superior as cash flow returns are structurally higher and gearing structurally lower.

Swiss family-owned companies spend slightly less of their revenues on research and development (R&D) than their non-family-owned peers. However, relative to family-owned companies elsewhere, they spend substantially more. Funding for this is made easier as family-owned companies have lower pay-out ratios.

## Family-owned companies have a longer-term and conservative focus

We have conducted a proprietary survey of more than 100 family-owned companies globally including ten from Switzerland with questions ranging from strategy, growth expectations, key concerns and implementation of environmental, social and governance (ESG) policies. The survey showed that Swiss family-owned companies have a more conservative approach to funding their expansion plans than peers elsewhere. In addition, we find that the need to innovate features as their key concern, which explains why Swiss family-owned companies spend more of their revenues on R&D than peers elsewhere. Despite these longer-term features, we are surprised to find that Swiss family-owned companies have a greater reliance on shorter-term remuneration policies than their peers elsewhere.

## Succession risk may be overstated

Ever since our first analysis of family-owned companies in 2007, we have encountered investors that worry about the impact of succession on family or founder-controlled companies. Our analysis indicates that, in the case of Swiss family-owned companies, this risk may be overstated. Older family-owned companies may have generated lower risk-adjusted returns than younger peers over the past ten years, but this may simply be a reflection of the maturity profile of the business rather than the impact of succession. In addition, our survey indicates that family-owned companies do not see succession risk as very important, whereas none of the family-owned companies expect the family or founder shareholding to reduce.

# The CS Family 1000 Project

In our global study of family-owned companies, we analyze share price returns and financial performance of almost 1000 family-owned companies (the CS Family 1000). In addition, we have performed detailed interviews with over 100 family-owned companies globally. The message that emerges is one of long-term conservative growth. In this publication, we look at how Switzerland fits into this scenario.

## The global picture

Since 2007, Credit Suisse has analyzed family-owned companies and their performance. In our most recent work in 2015, we concluded that family-owned companies had outperformed broader equity markets by an annual average of 4% over a 10-year period. For the purpose of our broader updated work on family-owned companies, we decided to deepen our understanding of the family-owned factor by expanding our previous analysis further into regions, sectors and size (small-cap, mid-cap and large-cap). In order to do this, we reviewed our 2015 database of 923 family-owned companies globally for current shareholder structures to see if they still meet our “family-owned” criteria. These are:

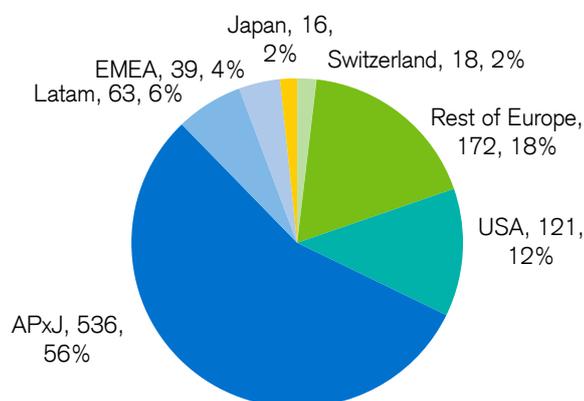
- Direct shareholding by founders or descendants of at least 20%.
- Voting rights held by founders or descendants of at least 20%.

The majority of companies included in our family-owned database are located in emerging markets (EMs), with Asia alone contributing 536 or 56% of the total (see Figure 1). Europe and the USA, on the other hand, are represented by “just” 311 companies combined. Our database consists of 18 Swiss family-owned companies, which represents around 10% of the European constituents.

While Asia dominates in terms of number of companies, this is not true on a market capitalization basis. At USD 6.9 billion, we note that the average size of family-owned companies in Asia is substantially smaller than that of companies in Europe (USD 13 billion) and the USA (USD 21.7 billion).

Figure 1

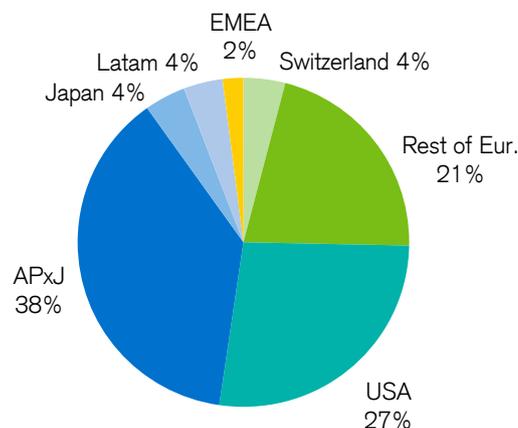
**Number of family-owned companies by region**



Source: Credit Suisse Research

Figure 2

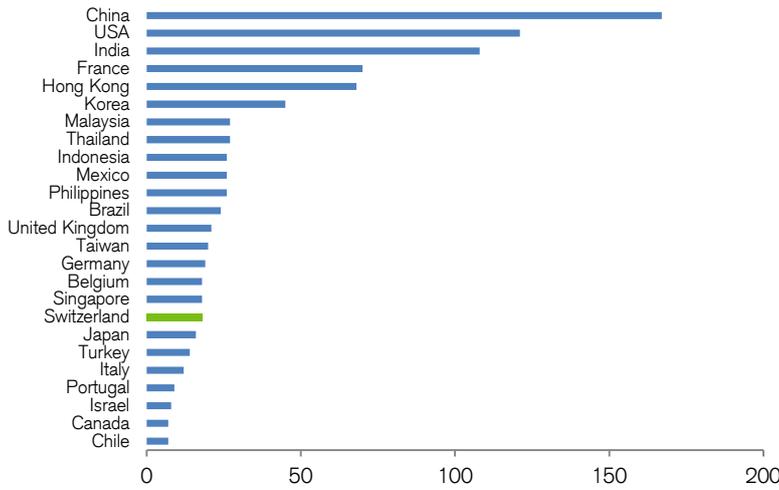
**Family-owned companies by regional market cap**



Source: Credit Suisse Research

Figure 3

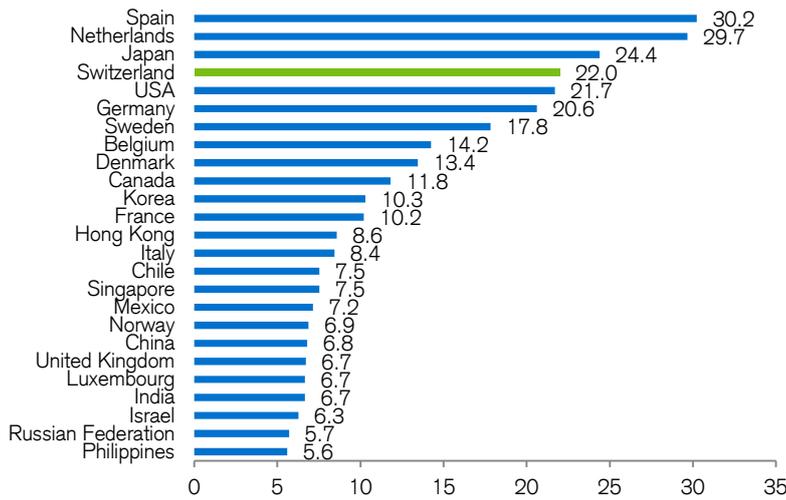
**Family-owned companies by country: Top 25, Asia leads**



Source: Company data, Credit Suisse estimates

Figure 4

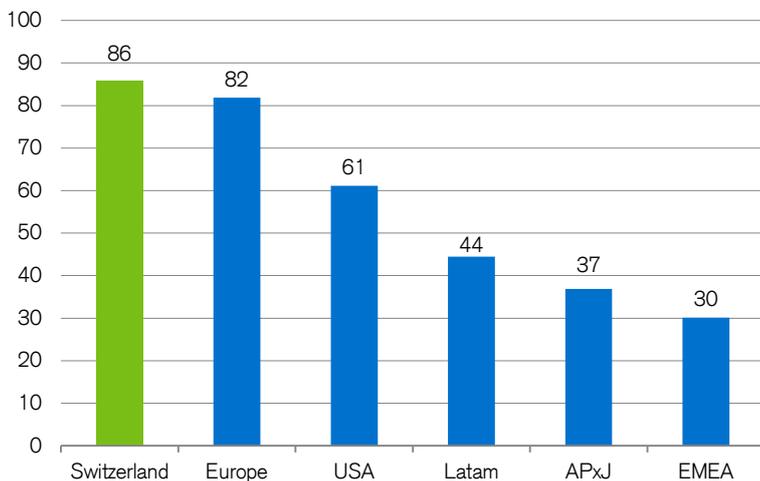
**Average market cap (USD bn) for family-owned companies by country**



Source: Company data, Credit Suisse estimates

Figure 5

**Average age of family-owned companies by region (years)**



Source: Company data, Credit Suisse estimates

On a country basis, we find that most of our family-owned companies are located in China (167), the USA (121), India (108) and France (70) (see Figure 3). However, in terms of average size, the ranking changes much more in favor of developed markets. The average market capitalization of family-owned companies is greatest in Spain (USD 30 billion), the Netherlands (USD 30 billion), Japan (USD 24 billion) and Switzerland (USD 22 billion) (see Figure 4).

- The fact that family-owned companies across global emerging markets are much younger than their peers in developed markets, which naturally suggests that family or founder ownership in the former is likely to be higher (see Figure 5). Family-owned companies in developed Europe were founded on average 82 years ago. Swiss family-owned companies are even older with an average age of 86 years. This compares to 37 years in the case of companies in Asia (ex-Japan) and 30 years in Europe, Middle East and Africa (EMEA) (see Figure 5).
- Another factor might be that economic growth across developed markets is arguably more challenging than for emerging markets. This, combined with more mature family-owned companies, might have given their owners more reasons to lock in the value of their firms by selling down.
- Finally, we would also note that ties to family heritage might be stronger in emerging markets, thus making families less willing to dispose of their assets.

### The non-family-owned control group

In order to analyze whether a “family factor” exists, our 2015 report compared the share-price returns of our overall family-owned universe on a sector-adjusted basis to the MSCI AC World index. However, for the purpose of this report, we see the MSCI AC World index, excluding the family-owned companies, as a less useful “control group.” The index consists of about 1300–1500 stocks, which implies that any regional, sector and/or size comparison of family-owned companies is likely to be based on a too-small subset of the index, which reduces the significance of our conclusions.

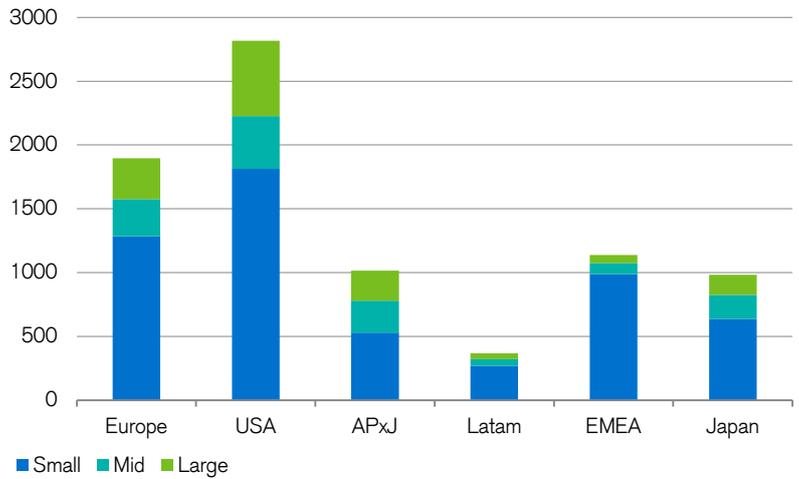
For the purpose of this report, we therefore decided to expand our benchmark and use all companies globally included in the Datastream Total Market Indices, with the constituents of the Russell-2000 index as control group. After filtering out the companies included in our family-owned universe, this provided us with a control group of up to around 8,500 companies globally, allowing for more meaningful comparisons in our view (see Figure 6).

### Family-owned companies globally outperform

Our 2015 report showed that family-owned companies had outperformed MSCI AC World by an annual average of 4.5% during the preceding nine years. Our updated analysis shows that, on a global basis, these results hold. Since the start of 2006, our universe of family-owned companies has generated a cumulative return of 126%, thereby outperforming the MSCI AC World index by 55%. This implies an annual average “alpha” of 392 bp. The outperformance of family-owned companies to our much broader global universe of non-family-owned companies is slightly better at an annual 404 bp (see Figure 7).

Figure 6

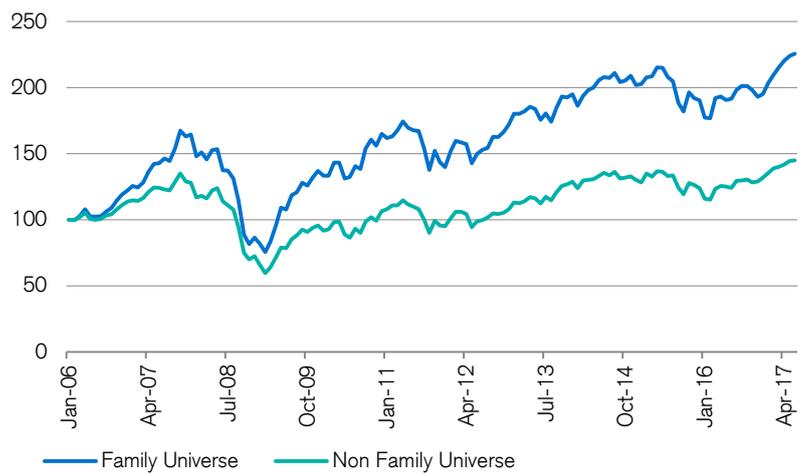
### Non-family-owned universe used as control group for performance analysis



Source: Company data, Credit Suisse estimates

Figure 7

### Market-cap-weighted sector-adjusted returns: Family-owned companies have outperformed since 2006

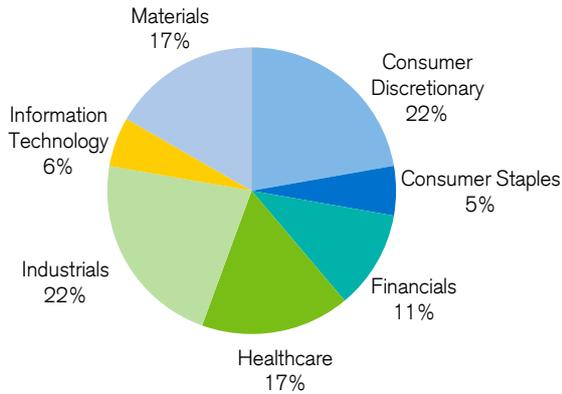


Source: Company data, Credit Suisse estimates



Figure 8

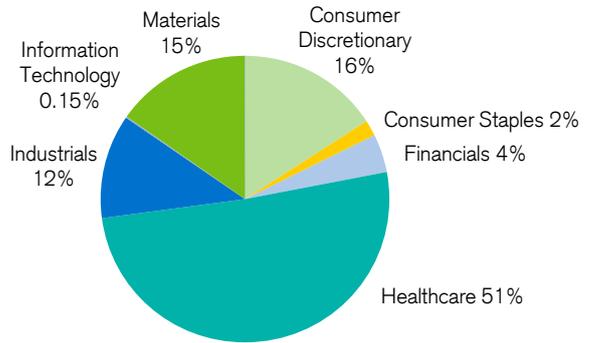
**Number of Swiss family-owned companies by sector**



Source: Company data, Credit Suisse estimates

Figure 9

**Swiss family-owned companies by market cap**



Source: Company data, Credit Suisse estimates

**Swiss family-owned companies and returns**

As mentioned before, there are 18 Swiss family-owned companies in our universe, with an average market cap of USD 22 billion. The healthcare sector contributes more than 50% of total market cap. From an age perspective we note that Swiss industrial companies are the most mature at an average age of almost 160 years. Family-owned staple and financial companies are on average in their first generation with an average age of less than 20 years.

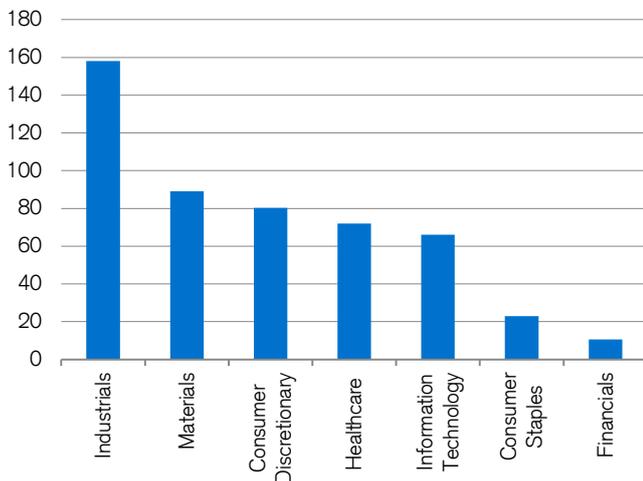
**Swiss family-owned companies outperform**

In our broader analysis, we found that our global universe of family-owned companies has outperformed both the MSCI AC World Index and also the control group of non-family-owned companies by 55% and 4%, respectively.

We have also analyzed the returns for our Swiss family-owned companies and compared them to non-family-owned peers locally. In doing so, we obviously make the point that the sample size for Swiss family-owned companies is relatively small at just 18. This has to be taken into consideration when drawing conclusions on relative performance. The relative performance of our Swiss family-owned companies has been more impressive than

Figure 10

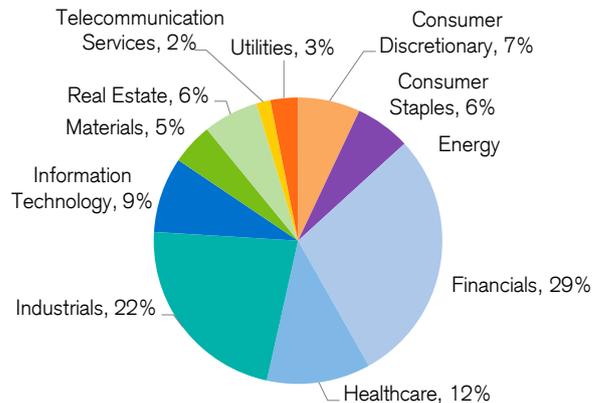
**Average age of companies by sector**



Source: Company data, Credit Suisse estimates

Figure 11

**Swiss non-family-owned universe used as control group for performance analysis (% of companies)**



Source: Company data, Credit Suisse estimates

## Who are the family-owned companies?

Company	Sector	Mkt. cap. (USD bn)	Ownership stake
1 Roche Holding	Healthcare	178	50%
2 Richemont	Consumer Discretionary	47	50%
3 Lafargeholcim	Materials	37	21%
4 Schindler	Industrials	23	71%
5 Kuehne + Nagel	Industrials	22	58%
6 The Swatch Group	Consumer Discretionary	21	40%
7 Sika	Materials	19	53%
8 Partners group holding	Financials	18	30%
9 EMS - Chemie	Materials	16	70%
10 Sonova	Healthcare	11	20%
11 Straumann	Healthcare	10	37%
12 Barry Callebaut	Consumer Staples	8	59%
13 Dksh Holding	Industrials	5	45%
14 Bucher Industries	Industrials	4	35%
15 Forbo	Consumer Discretionary	3	30%
16 VZ Holding	Financials	2	61%
17 Apg Sga	Consumer Discretionary	1	30%
18 Kudelski	Information Technology	1	63%

Source: Company data, Credit Suisse estimates \*Richemont is a Swiss based family-owned company although the founder itself is South African.

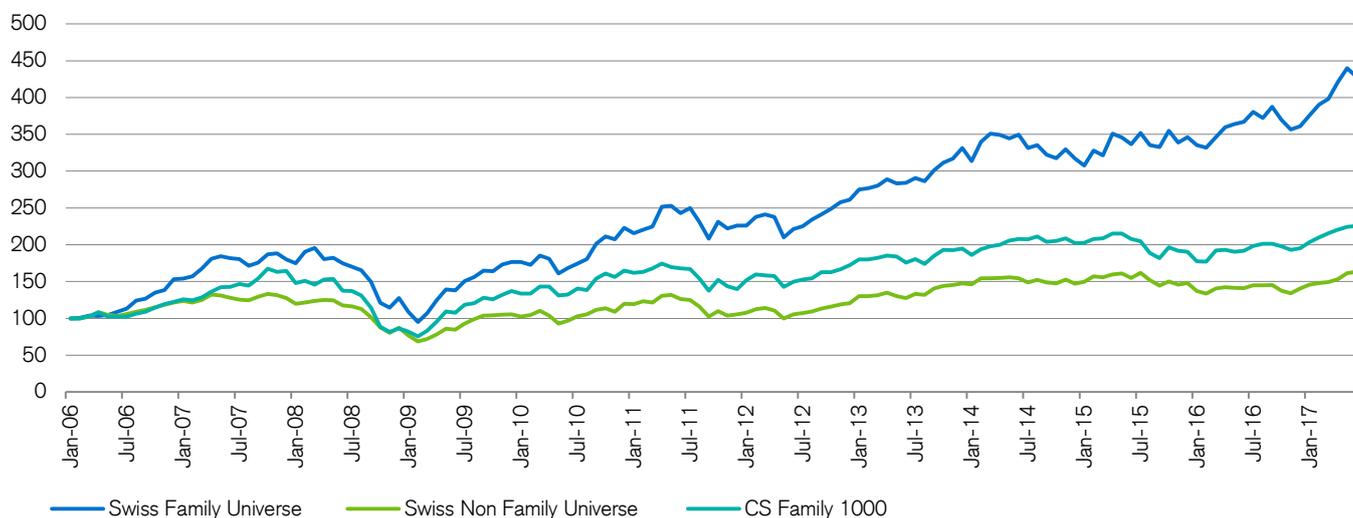
their global family-owned peers. They outperformed the control group of Swiss non-family-owned companies by 900 bp and also outperformed the CS 1000 Family Universe over the 10-year period (see Figure 12). The data suggests that the Swiss family-owned companies outperformed their local non-family-owned peers in all but one year (2014) on a sector-adjusted basis. So far this year, family-owned companies outperformed by around 200 bp. These results echo the broader conclusions drawn in "Switzerland: A Financial Market History,"

a recent publication by the Credit Suisse Research Institute on the performance of Swiss equities through time.

Exploring these returns by size, we find that Swiss small-cap family-owned companies outperformed their mid- and large-cap family-owned peers. All three size groups, however, outperformed their respective non-family-owned companies in Switzerland, clearly suggesting that the "family alpha" has been universal.

Figure 12

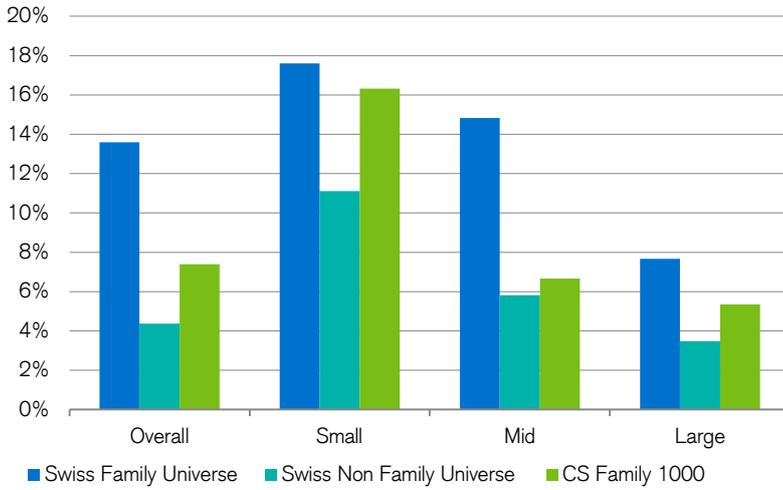
### Market-cap-weighted sector-adjusted returns: Swiss family-owned companies have outperformed since 2006



Source: Company data, Credit Suisse estimates

Figure 13

**Sector-adjusted returns for Swiss family-owned versus Swiss non-family owned; small, mid and large caps**



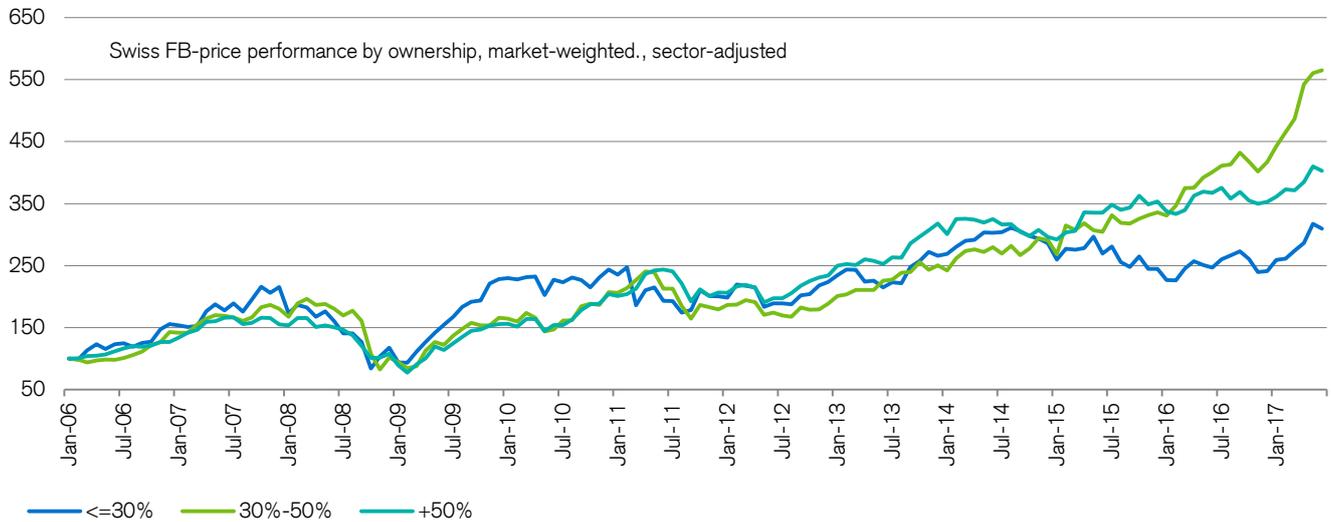
Source: Company data, Credit Suisse estimates

**Degree of ownership**

Our broader analysis on family-owned companies showed that the actual stake held by the founder or his family does not appear to correlate with stronger outperformance. An analysis on this basis for Swiss family-owned companies generates a similar conclusion. Figure 14, for example, shows that returns were very similar between 2006 and 2015 across different ownership groups. Only more recently do we observe a divergence in performance, but we do not find a correlation between the size of family/founder ownership and share-price returns. It is therefore our view that the "family alpha" as observed in Swiss family-owned companies is more related to the alignment of interest with the founder and his family in the running of the company than dependent on how much of a company's equity is owned by them.

Figure 14

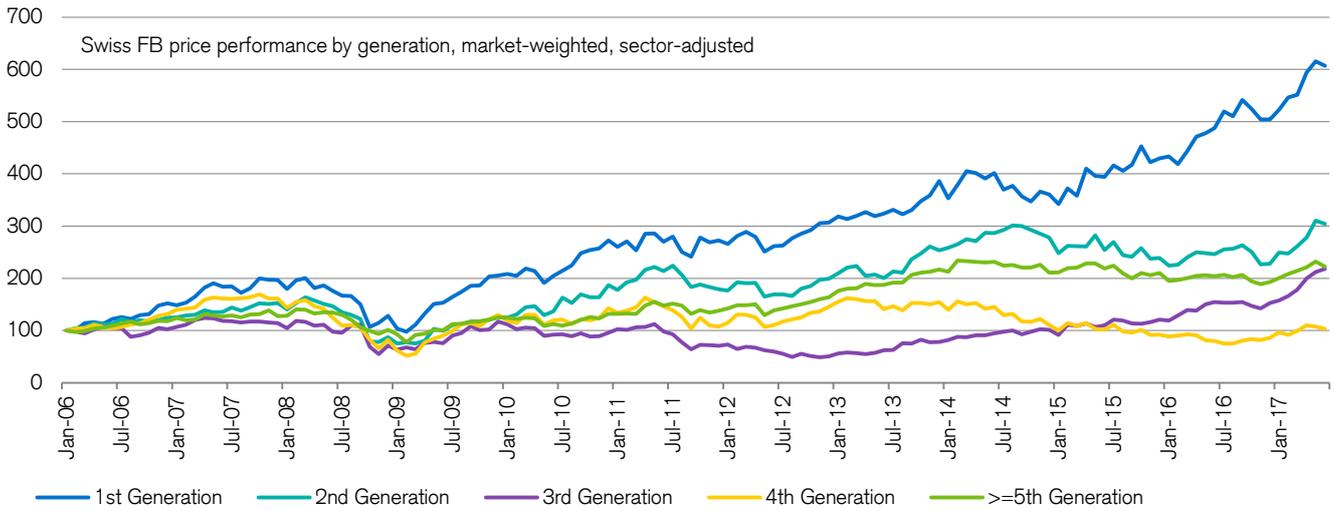
**Average market cap (USD bn) for family-owned companies by country**



Source: Company data, Credit Suisse estimates

Figure 15

**Average age of family-owned companies by region (years)**



Source: Company data, Credit Suisse estimates

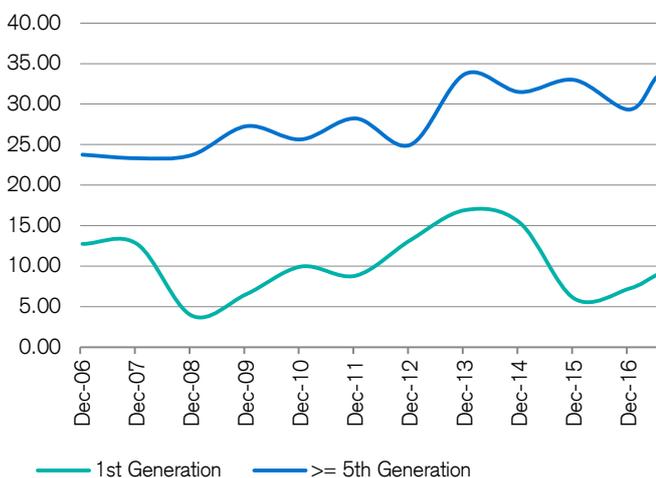
**Returns by generation**

One of the factors that we have reviewed in the past related to “succession risk.” This was driven by the fact that globally returns for younger family-owned companies tended to be better than those of older companies. This in turn was then seen as a potential indicator that new management or founder descendants were not as focused, committed or driven to the business. When reviewing the share price returns for Swiss family-owned companies, we also observe a premium performance by younger (i.e. first generation) family-owned companies. Returns of older companies are clearly sub-optimal.

Despite these results, we would not immediately advocate that this supports the notion that a change in company management away from the founder reduces share-price returns, with the reason being that these younger companies are smaller in size (see Figure 16) and tend to have higher growth rates than their older family-owned peers (see Figure 17). It may therefore be that these “fading returns” are simply a reflection of a more mature nature of the business model when companies age. We would also note that small-cap growth companies (which is effectively what generation 1 appears to be) have been outperforming more broadly across equity markets over the past ten years.

Figure 16

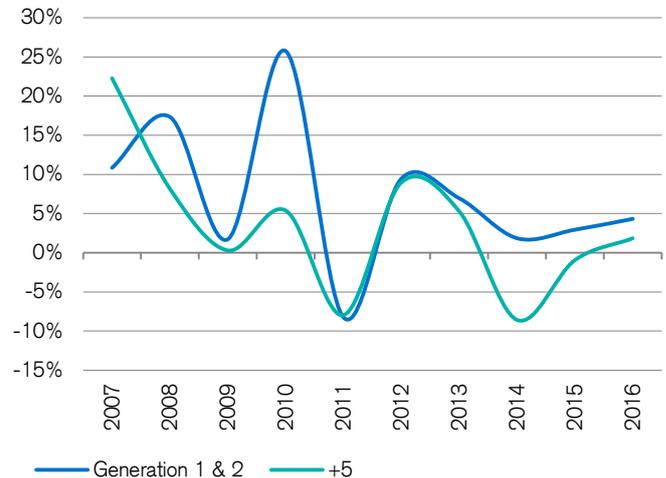
**Average market capitalization by generation (USD bn)**



Source: Company data, Credit Suisse estimates

Figure 17

**Revenue growth by generation**



Source: Company data, Credit Suisse estimates



# Swiss family-owned financial performance

The financial performance of Swiss family-owned companies supports their share-price outperformance in our view. Revenue growth tends to be higher across small, mid and large caps. In addition, we find that family-owned companies have much more moderate gearing and generate superior cash flow returns both relative to local non-family-owned companies as well as family companies in other regions. One potential concern for the Swiss family-owned investment case is the fact that valuation levels are above average both relative to history and in comparison to non-family-owned companies.

## Average sales growth is higher for Swiss family-owned relative to Swiss non-family-owned

Our analysis on family-owned companies globally indicated that they generated better sales growth than non-family-owned companies. Since 2006, this “alpha” has reached around 480 bp. When reviewing the performance of our Swiss family-owned universe, we arrive at a similar conclusion. Since 2006, sector-adjusted sales growth for our Swiss family-owned companies has on average been around 200 bp higher than non-family-owned companies (see Figure 1).

When analyzing the performance on a size basis, we find that smaller family-owned companies actually performed somewhat worse than small non-family-owned corporates. Medium- and larger-capitalized companies, however, outperformed their

non-family-owned peers, suggesting that the family factor in Switzerland is quite structural even when a family-owned company’s business matures.

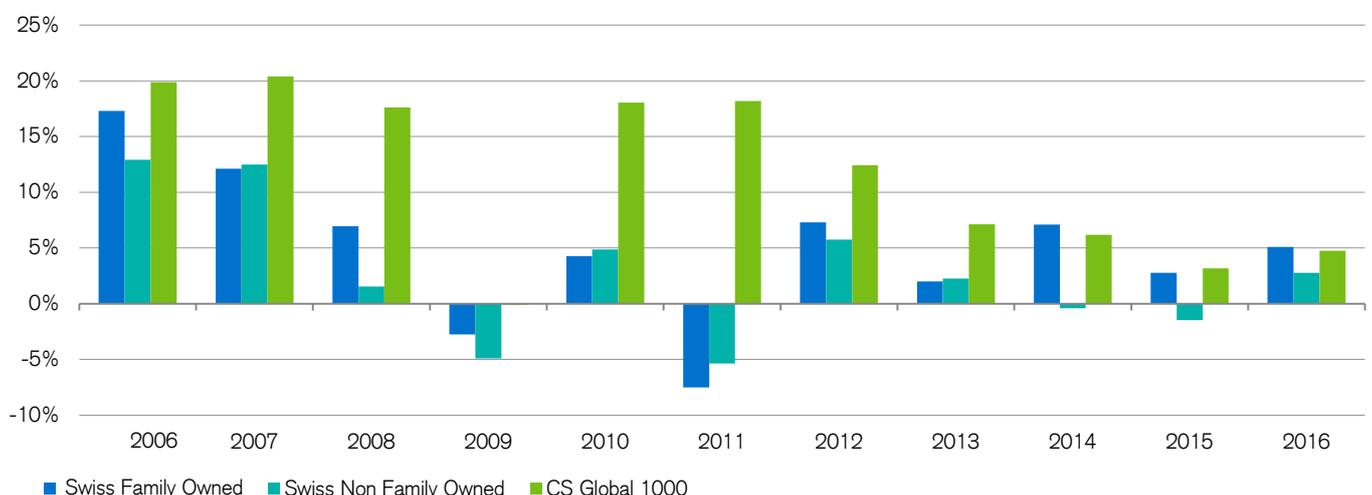
## Swiss family-owned companies have strong balance sheets

Our analysis of family-owned companies globally also showed that they tend to have a slightly more moderate approach to gearing. Since the financial crisis, family-owned companies around the world experienced an increase in leverage (e.g. net debt/EBITDA). However, the increase was more moderate than for non-family-owned companies.

Our gearing analysis of Swiss family-owned companies indicates that their balance sheets are on average much more solid than both local non-family-owned peers as well as family-owned companies in other regions. In fact the median gearing observed through our group of Swiss

Figure 1

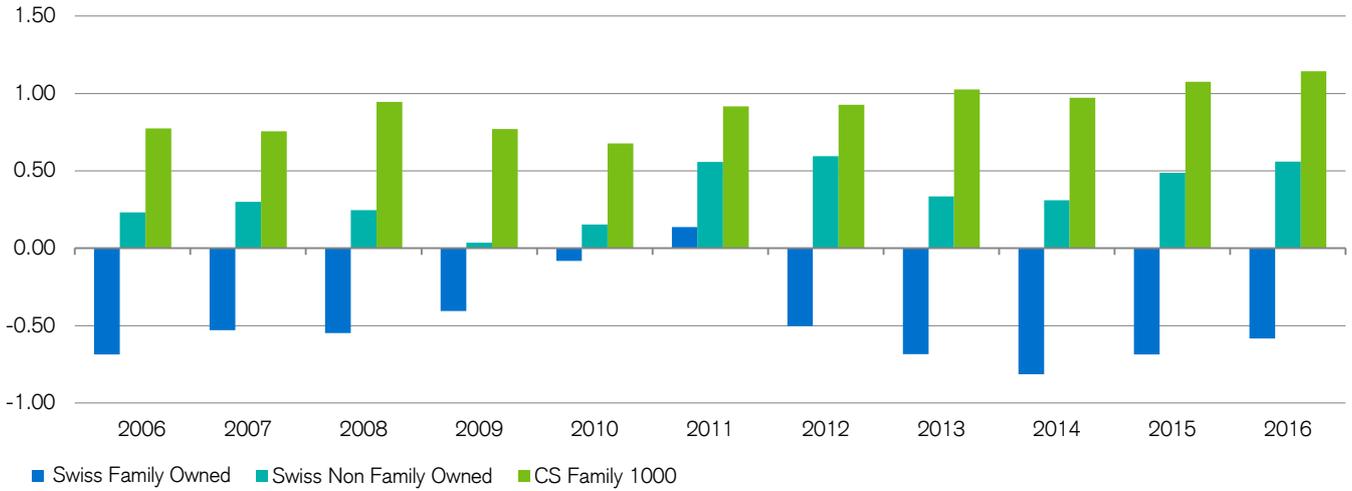
**Sector-adjusted revenue growth: Swiss family-owned companies vs. Swiss non-family-owned companies and the CS Global 1000**



Source: Company data, Credit Suisse estimates

Figure 2

**Median net debt/EBITDA: Swiss family-owned companies tend to have net cash positions, in sharp contrast with peers elsewhere**



Source: Company data, Credit Suisse estimates

family-owned companies is negative (i.e. net cash) compared to gearing of more than 1x for family-owned companies globally last year and a gearing of around 0.5x for other Swiss companies. This much more conservative approach to funding provides enhances the credibility of Swiss family-owned companies, in our view, especially during periods of economic distress.

**Swiss family-owned spending on R&D**

Given the much more conservative balance sheet structure that Swiss family-owned companies have compared to peers, investors might be worried that their founders run these companies for current or short-term profits rather than for the long term.

While the high average age of Swiss companies (86 years) suggests that this is not the case, we

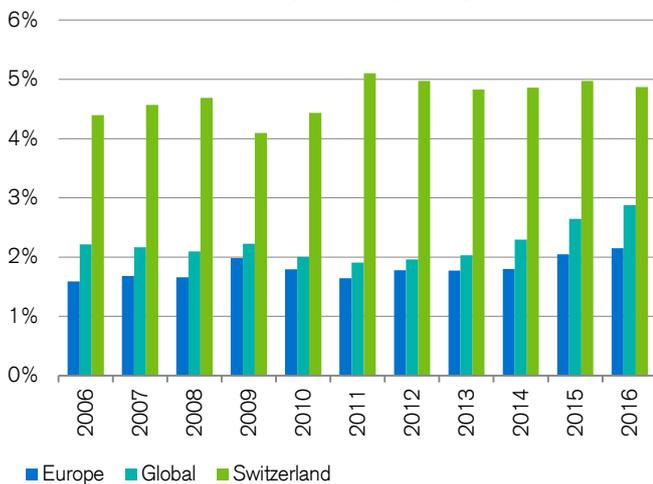
would also highlight the fact that Swiss family-owned companies are, on average, much more R&D-intensive than their European or global family-owned peers. In this regard, the fact that they do spend slightly less of their revenue on R&D is not too meaningful, in our view, considering that the average share of revenue spent on R&D is so high for both family and non-family-owned companies. It provides a strong platform for sustained long-term growth in our view.

**Swiss family-owned companies have lower pay-out ratios than their non-family-owned peers**

Since 2006, we have found that our global universe of family-owned companies have more conservative pay-out ratios than their respective control group, standing at an average of -10% below the control

Figure 3

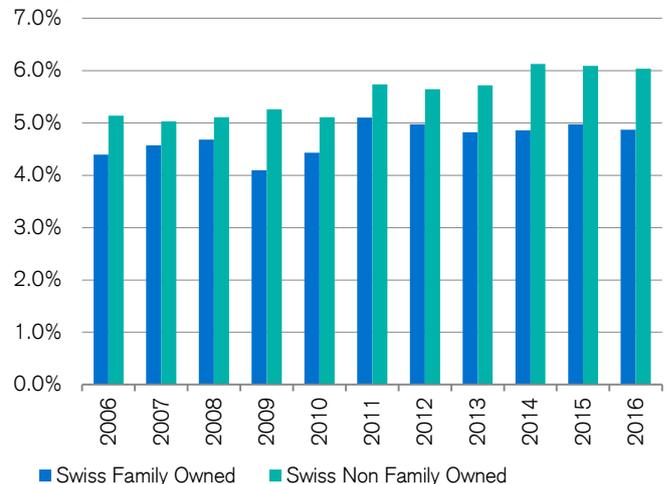
**Swiss family-owned companies have a greater focus on innovation than their European or global peers**



Source: Company data, Credit Suisse estimates

Figure 4

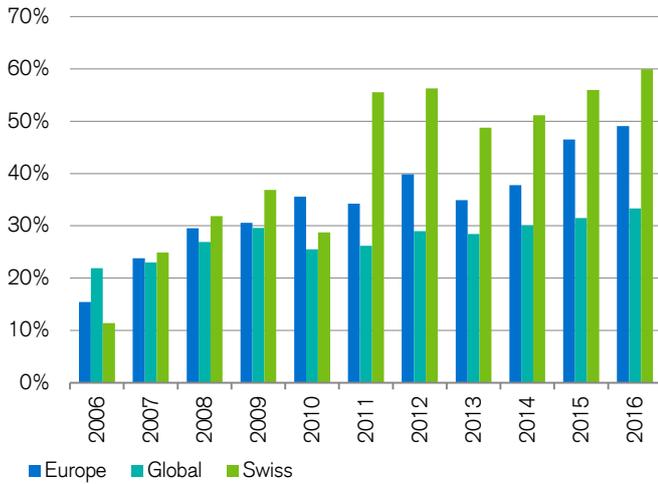
**However, non-family-owned companies in Switzerland have greater R&D intensity**



Source: Company data, Credit Suisse estimates

Figure 5

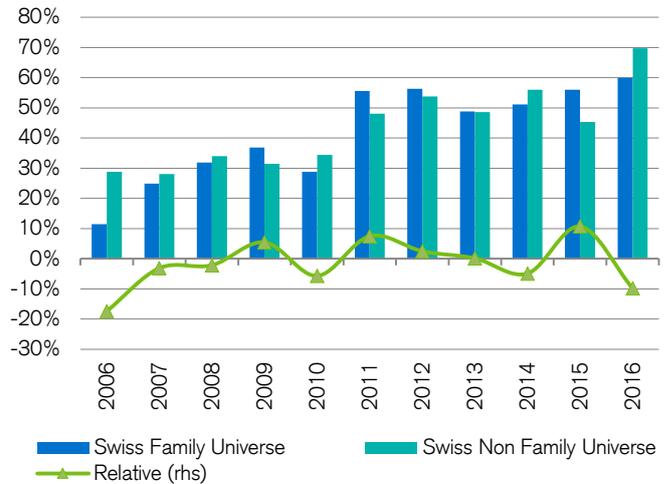
**Swiss family-owned companies have greater pay-out ratios than their European and Global peers...**



Source: Company data, Credit Suisse estimates

Figure 6

**...compared to their Swiss non-family peers, they are broadly in line**



Source: Company data, Credit Suisse estimates

group. Compared to their European and Global peers, Swiss family-owned companies have higher pay-out ratios (see Figure 5).

However, comparing Swiss family-owned companies to their respective control group of Swiss non-family-owned companies, the average pay-out ratio is slightly lower at -2% (see Figure 6). Lower pay-out ratios and more conservatively geared balance sheets clearly make family-owned companies more robust to face tougher economic or business cycles should they emerge. This in turn aids their chances of outperforming non-family-owned companies on a through-cycle basis.

**Swiss family-owned companies show superior cash flow returns**

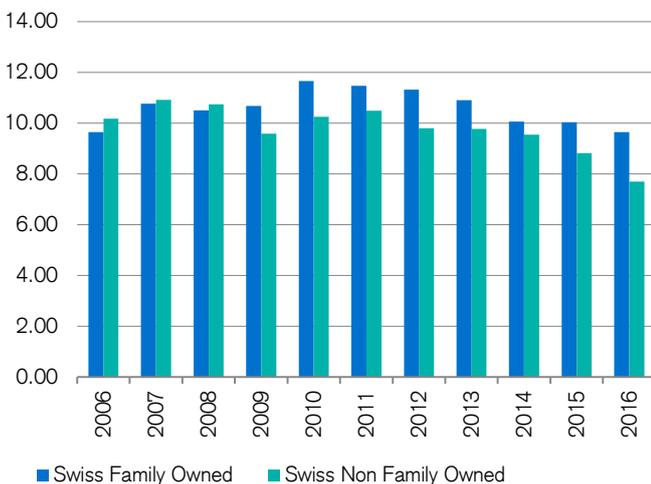
Our global family-owned business report highlighted

that family-owned companies have been generating higher CFROI® levels relative to our non-family-owned control group since 2006. Our analysis of Swiss family-owned companies provides probably a stronger message. First we note that, with the exception of 2008, they have outperformed their non-family-owned local peers in terms of CFROI. Second, relative to family-owned companies globally, we find that Swiss firms are substantially more profitable. Their CFROIs are close to 400 bp higher than the returns generated elsewhere. This supports the case for Swiss family-owned companies, especially against the background of very conservative gearing and relatively strong R&D spending.

On a regional basis, European family-owned companies have shown improving momentum for cash flow returns and in the past year generated

Figure 7

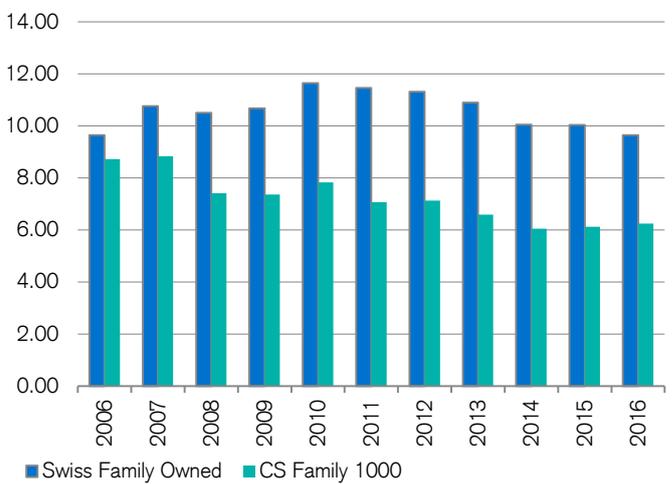
**CFROI development: Swiss family vs. non-family-owned companies**



Source: Company data, Credit Suisse estimates

Figure 8

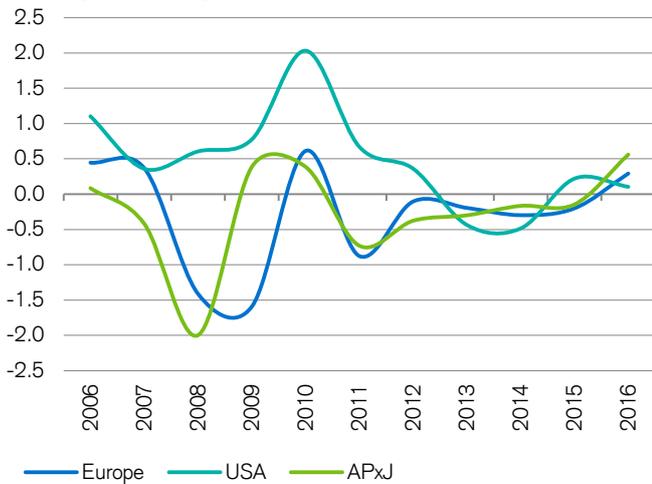
**CFROI: Swiss family vs. CS 1000 family-owned universe**



Source: Company data, Credit Suisse estimates

Figure 9

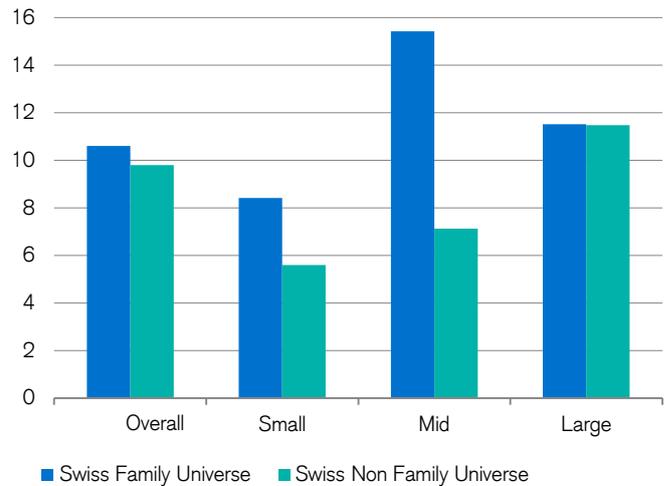
**Relative cash flow returns by region: European firms showing improving momentum**



Source: Company data, Credit Suisse estimates

Figure 10

**Absolute average cash flow returns Swiss companies**



Source: Company data, Credit Suisse estimates

29% higher CFROI levels when compared to the control group of European non-family-owned companies. As we look to our Swiss family-owned companies, they have generated 8% higher cash flow returns since 2006 relative to the Swiss non-family-owned companies. This outperformance holds true across small, mid and large caps.

**Swiss family-owned companies trade at a premium**

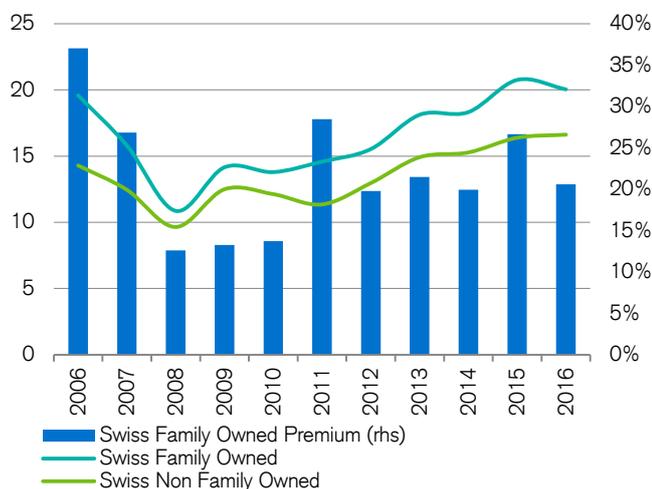
Finally, we look at how the market values Swiss family-owned companies and how this compares to non-family-owned companies locally. Using 12-month forward price/earnings as a valuation tool, we find that our Swiss family-owned companies trade at a premium relative to their own history. However, relative to our control group, we find that

the Swiss family-owned premium is currently 21% or in line with the 10-year average of 22%.

Our findings on valuation for Swiss family-owned companies are somewhat similar to those of our accompanying global report. Family-owned companies trade at a premium to history, but they have not re-rated relative to non-family-owned companies despite premium growth, better balance sheets, higher R&D intensity and superior cash flow returns. Compared to our CS Global 1000, they also trade at a premium (see Figure 12).

Figure 11

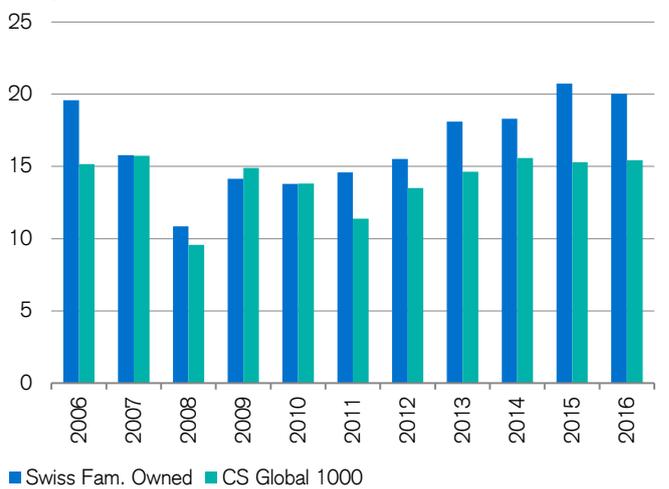
**Price-earnings ratio based on 12-month forward earnings estimates**



Source: Company data, Credit Suisse estimates

Figure 12

**Swiss family-owned companies trade at a premium compared to our CS Global 1000**



Source: Company data, Credit Suisse estimates



1895  
1906

ANG-DIE-BERGE  
UF-IREN  
-GRUNDE



-1307-

# The view from family-owned companies

In order to help deepen our understanding of family-owned companies, we conducted a survey of more than 100 of the companies included in our family-owned database. The mix of family-owned companies surveyed is spread across all key regions and covers all generations from founding to fourth and beyond. As far as size is concerned, we ensured that the family-owned companies we surveyed were spread across small, mid- and larger sections. Finally, all of the major sectors are represented, although with a bias toward IT, financials and industrials. We asked our survey companies questions related to their strategies and, more specifically, the degree of involvement by the family owners. The answers clearly indicate a strong long-term commitment from founders and family owners, suggesting a closer alliance with other shareholders with regard to longer-term value creation.

## The Swiss profile

From our universe of family-owned companies, we surveyed ten of our Swiss family-owned businesses with [Figures 1–4](#) highlighting the profile of these respondents. Fifty percent of our Swiss family-owned companies generate revenues under USD

250 million, with a fifth generating revenues in excess of USD 10 billion. Half of our respondents employ more than 1000 employees, with 40% of these companies in their fourth or more generation of ownership.

Figure 1

**Which sector best describes your business? Swiss family-owned companies**

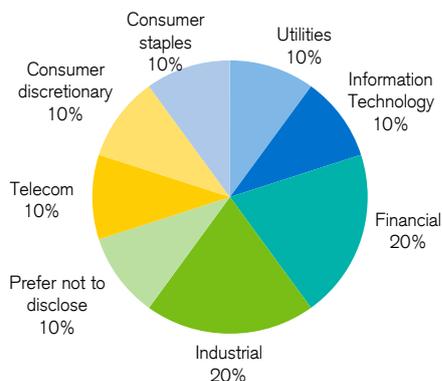


Figure 2

**What generation do the current owners of the business represent?**

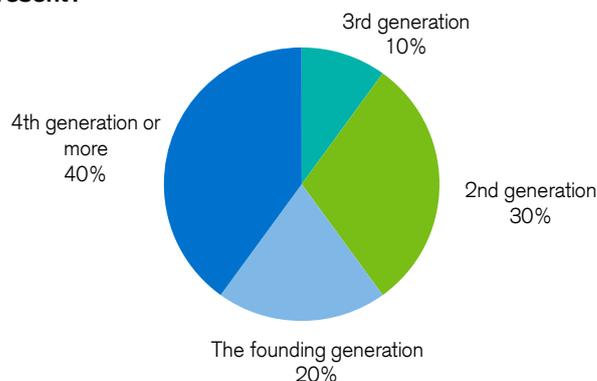


Figure 3

**What is the number of employees in your organization?**

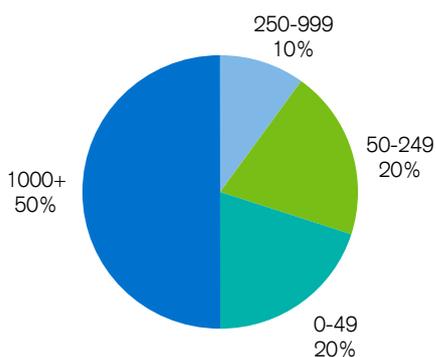
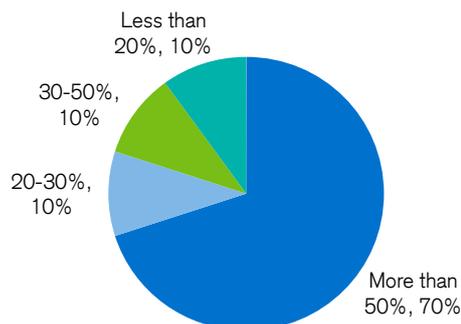


Figure 4

**What % of your company is owned by family members or the founders?**



Source Figures 1–4: Credit Suisse

### A conservative view toward funding new investments

Similar to the overall results of our survey and to our Asian family businesses, Swiss family-owned companies have a conservative view toward funding new investments, with 70% of these companies indicating that future funding requirements are largely carried out through the use of internally generated funds compared to 47% for the overall survey. No companies indicated the use of debt financing (see Figure 5).

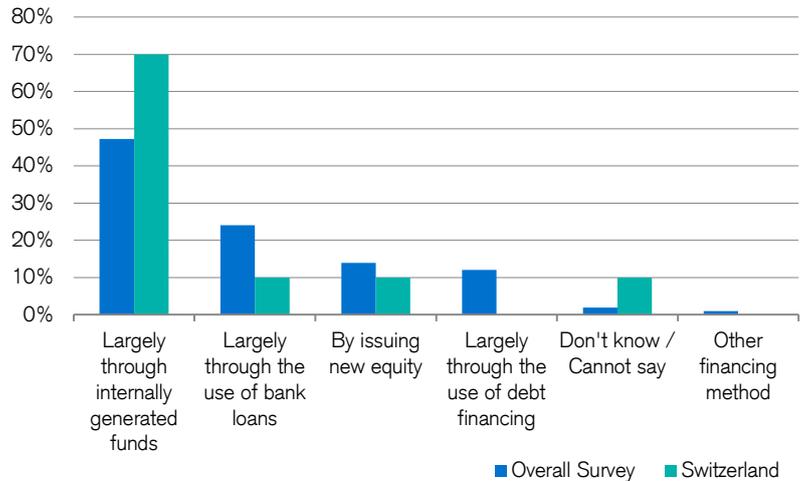
A conservative approach toward funding is also mirrored in these companies when they were asked to rank which financing options were most important. Retained earnings were considered the most important followed by family financing and bank loans. To no surprise, external equity and corporate bonds were considered the least important for future growth (see Figure 6).

### The need to innovate is the greatest concern

The overall survey results highlighted that industry competition, retaining talent and the need to innovate were of the greatest concern to family businesses (Figure 42). Our Swiss family businesses share the same concerns as our overall respondents, although with a slight change in ranking. The need to innovate is the greatest concern and, again in line with our overall findings, succession risk does not appear to be a major concern (see Figure 9).

Figure 5

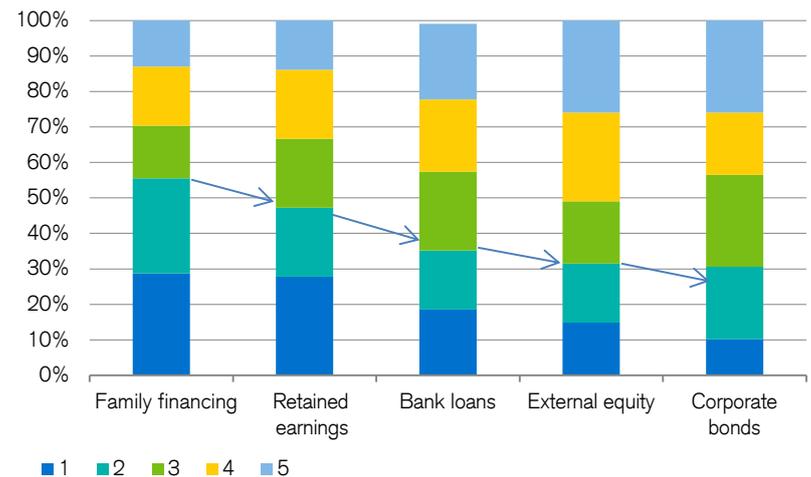
### “How do you typically fund new investments, acquisitions or overall growth?”



Source: Company data, Credit Suisse estimates

Figure 6

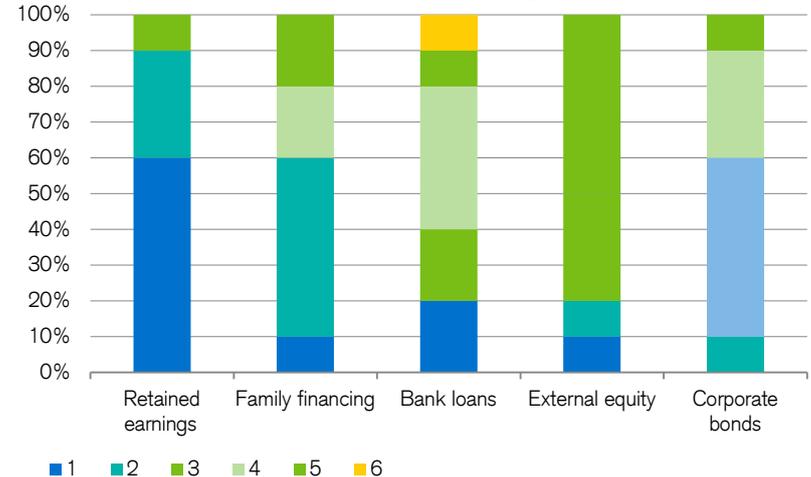
### Rate the following financing options from 1 (=most important) to 6 (=least important) – overall



Source: Company data, Credit Suisse estimates

Figure 7

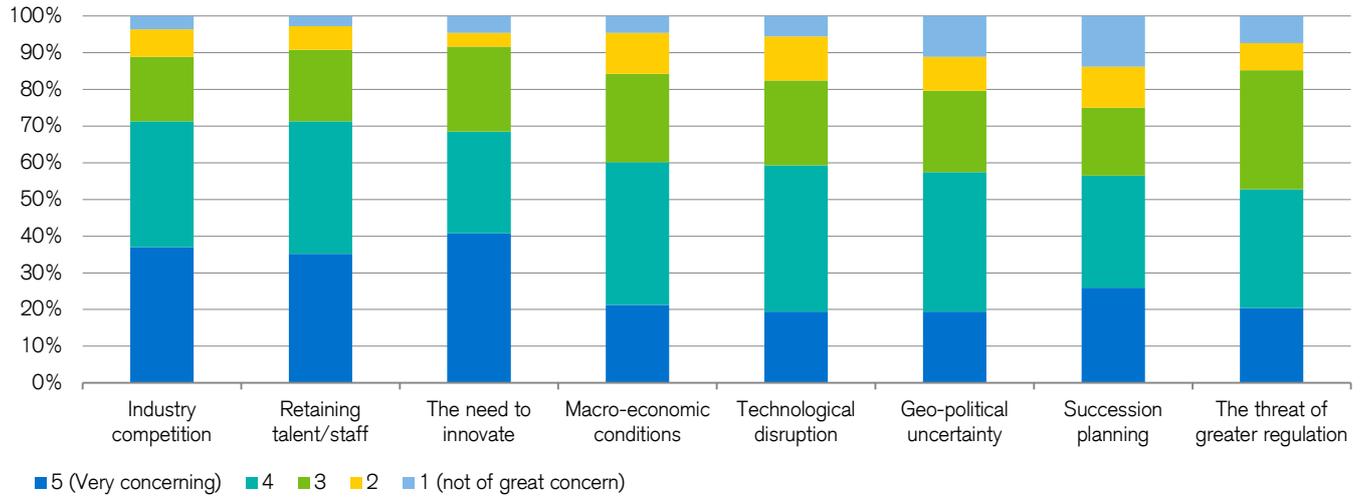
### Rate the following financing options from 1 (=most important) to 6 (=least important) – Swiss family-owned companies



Source: Company data, Credit Suisse estimates

Figure 8

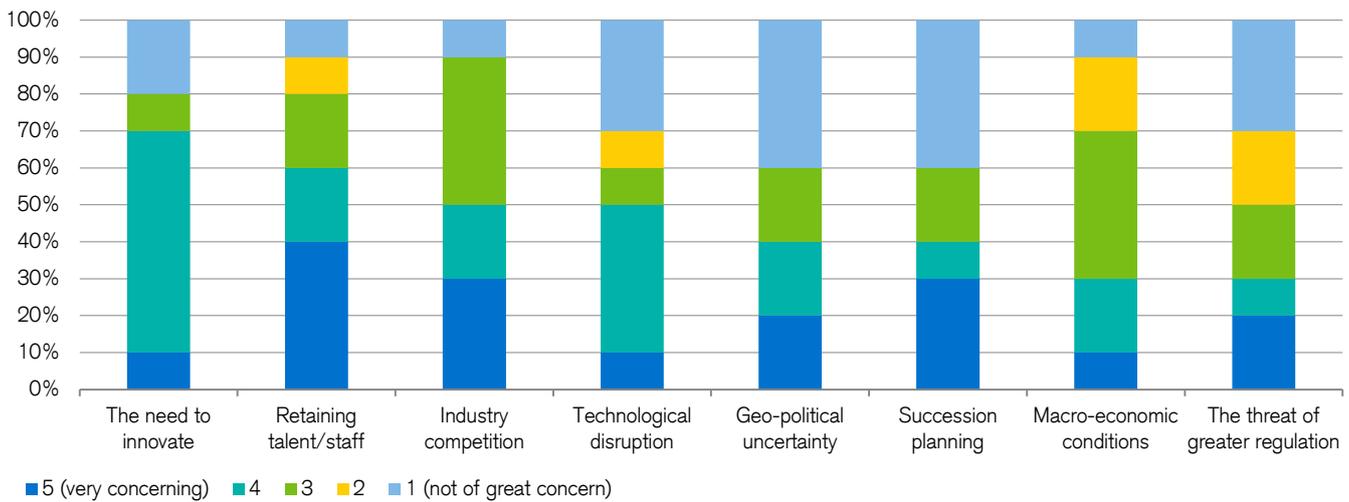
**“What concerns you most over the next five years?” – overall survey**



Source: Company data, Credit Suisse estimates

Figure 9

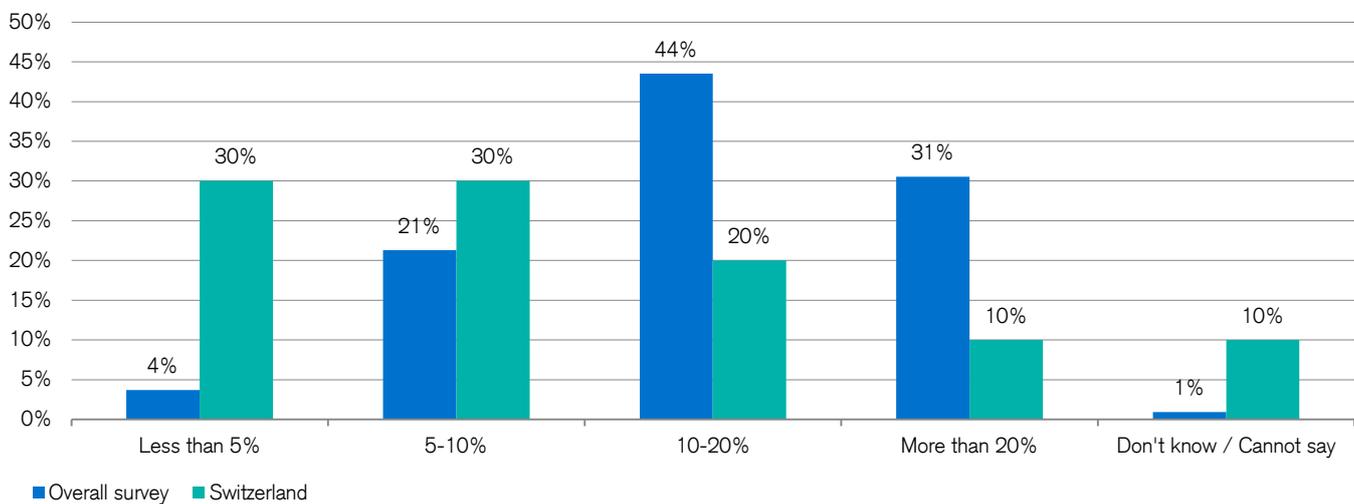
**“What concerns you most over the next five years?” – Swiss family-owned companies**



Source: Company data, Credit Suisse estimates

Figure 10

**“What is your expected annual revenue growth rate?” (% of respondents)**



Source: Company data, Credit Suisse estimates

### Growth expectations are more modest in Switzerland versus the overall survey

Future revenue aspirations for our Swiss family-owned companies are relatively more modest in comparison to our overall survey. In our full publication, we note that 75% of respondents expect growth of more than 10%; this stands at 30% for Swiss family-owned companies.

### Governance-related policies are of particular importance

We have found that governance-related issues are of particular importance to our Swiss family businesses, with 60% indicating that they have implemented strategies relating to this. Interestingly, this differs slightly from the overall findings of the survey, whereby policies surrounding environmental concerns seemed to be the most widely implemented. Similarly, for our Asian family businesses, environmental policies seemed to be the most realized. For example, 60% of Chinese family businesses have strategies in relation to environmental issues compared to 40% for Swiss.

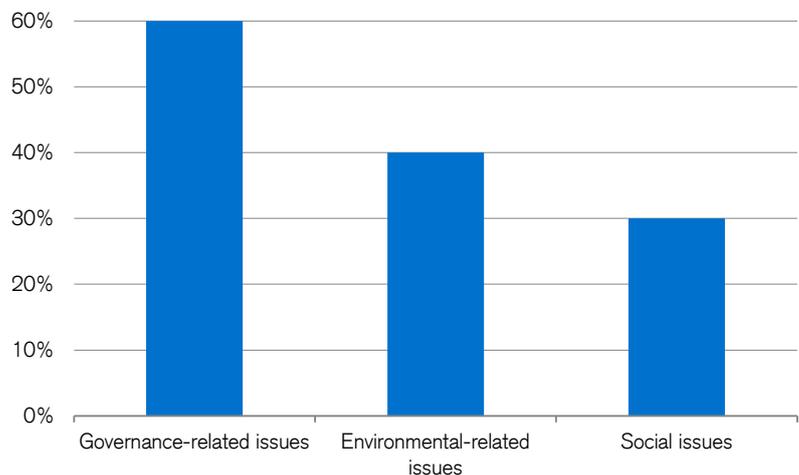
In our full publication, we noted that the introduction of green technologies has been the most popular choice for the family companies surveyed. This also holds true for our Swiss family-owned companies, with 50% indicating the implementation of green technologies as the most popular choice.

### Remuneration policies support the short term

Surprisingly, and in contrast to the overall findings of the survey, remuneration policies in our Swiss family-owned companies support the short term. Seventy percent of these companies have indicated that short-term revenue or earnings and short-term cash-flow-based targets are incorporated in their senior management remuneration program. This also differs to our Asian family businesses, where remuneration policies were supportive of the long term.

Figure 11

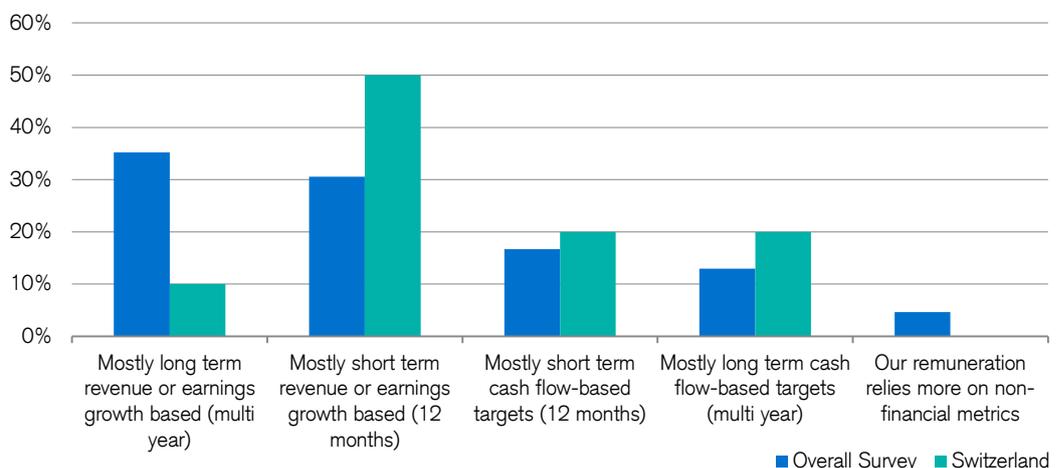
#### “Does your business have a sustainability strategy across the following?”



Source: Company data, Credit Suisse estimates

Figure 12

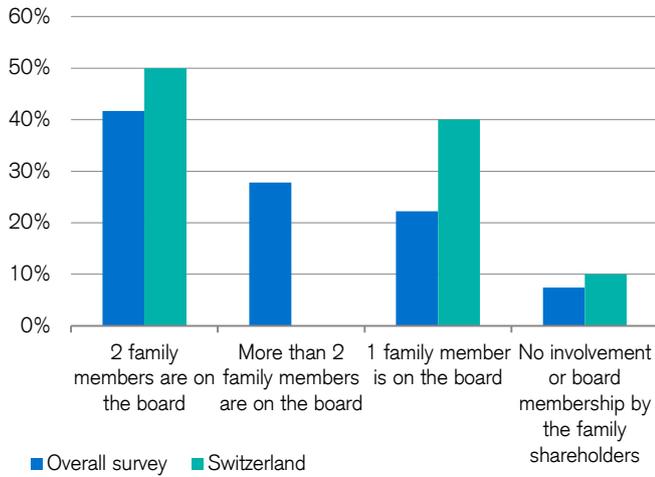
#### “Which key parameter is incorporated in your corporation’s senior management remuneration program?”



Source: Company data, Credit Suisse estimates

Figure 13

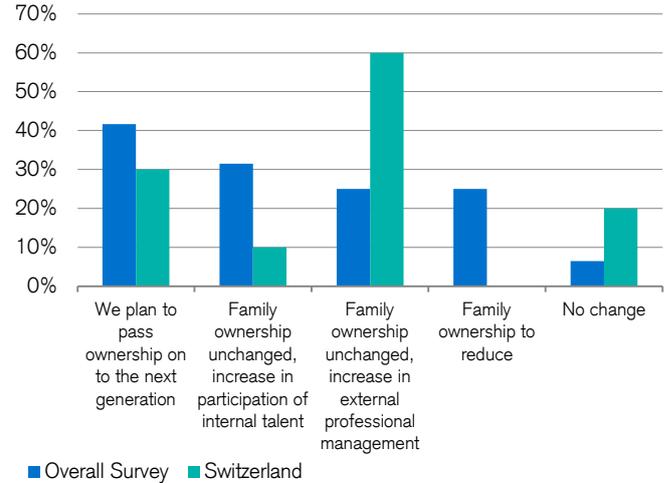
**“Which of the following best defines the degree of involvement family members have within the business?”**



Source: Company data, Credit Suisse estimates

Figure 14

**“Which of the following best describes your plan for the future?”**



Source: Company data, Credit Suisse estimates

**A movement toward increasing external management**

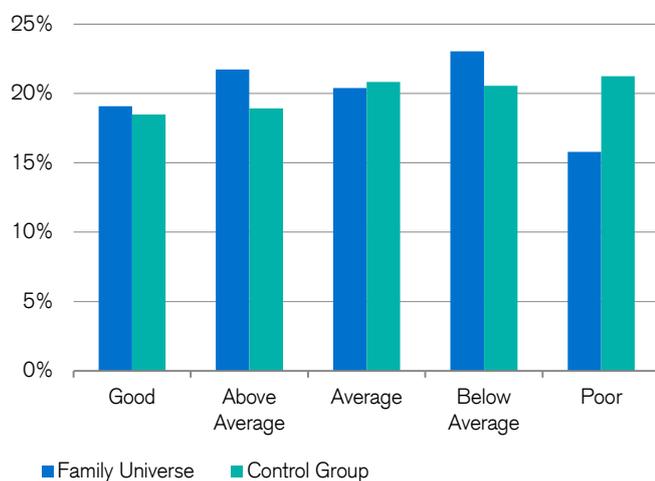
In line with the full survey results, family involvement in our Swiss companies is significant with half our respondents indicating at least two family members are on the board and 90% stating at least one person is on the board. While our Swiss companies indicate that family involvement is important, future plans for these companies point to a shift toward an increase in external professional management. When asked what best described their plans for the future of their business, 60% indicated that family ownership was unchanged, but that there was an increase in external professional management. In comparison to our European companies, 45% plan to pass ownership to the next generation versus only 30% of our Swiss family-owned companies.

**Accounting quality**

Using the HOLT® framework on accounting quality, in the full publication of our report, we found little evidence to suggest that accounting quality was weaker at family-owned companies. At a regional level, we found our European family-owned companies had slightly better accounting quality than the European non-family control group. As we look to Switzerland, we find 50% of our family-owned companies with “good” accounting quality versus 27% for our control group. Furthermore, none of our Swiss family-owned companies are deemed to have “poor” accounting quality whereas 4% of the control group are.

Figure 15

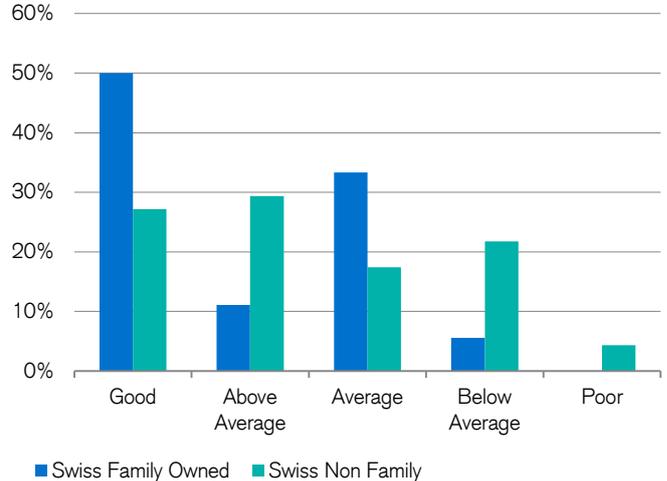
**Accounting quality in European family-owned firms**



Source: Company data, Credit Suisse estimates

Figure 16

**Accounting quality in our Swiss family-owned firms**



Source: Company data, Credit Suisse estimates

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