



Success and Succession in an AI world

Eight AI adoption tips for the next generation of family business leaders.

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 transformative 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—hold the key to this transformation. NextGen 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.

Our 2024 Global NextGen Survey of more than 900 NextGen suggests they are more optimistic about generative AI than the incumbent generation. Additionally, 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.

According to the 2024 PwC Global CEO Survey, half of all CEOs 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.

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.

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 show that these changes cannot be delayed until the next natural transition of generational ownership. They must begin now.

For the NextGen: Next steps in AI adoption

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, as a younger, more tech-savvy cohort, NextGen are more knowledgeable and experienced than the established business leaders.

For family businesses, this 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.

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.

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.

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.

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.

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.

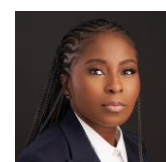
Conclusion: move smart, not fast.

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 demonstrates 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 NextGeners 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.

Note: This article is an excerpt from a PwC Global publication of the same title accessible via our website: <https://www.pwc.com/gx/en/issues/c-suite-insights/nextgen.html>

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Highlights from PwC's Global NextGen Survey 2024



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.



Only 7%

of family businesses are actively using GenAI.



50%

believe that there is an opportunity for family businesses to lead the way on the responsible use of AI and other technology



Only 6%

of family businesses have defined governance around using AI responsibly; an additional 62% believe they should establish such governance but haven't done so



40%

of NextGen believe being an AI champion will help them move into a leadership position



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