



The largest family enterprises

How they are outstripping global growth

Helena Robertsson

The 2023 EY and University of St.Gallen Family Business Index, based on a global ranking of 500 family-owned businesses according to their revenues, reveals the largest family enterprises are growing faster than the global economy.

Collectively, the family enterprises that were included in the 2023 EY and University of St.Gallen Family Business Index generated \$US8.02 trillion in revenue—a 10% increase on the 2021 Index.¹

According to the International Monetary Fund,² the global economy grew 6% in 2021, and is forecast to grow 3.2% in 2022 and 2.7% in 2023. This means family enterprises have been growing at nearly twice the rate of advanced economies and around one and a half times the rate of emerging market and developing economies.

Between them, the 500 companies on the Index:

- employ 24.52 million people worldwide, up 1.4% from 2021
- are distributed across 47 different jurisdictions
- collectively generate US\$8.02 trillion revenue, up 10% from 2021.

The Index highlights, once again, the huge contribution of the world's largest 500 family enterprises to the global economy. In fact, their contribution is so significant that if they were a national economy, they would be the third-largest among the club of 19 “trillion-dollar economies”³ that exist in the world, after the US and China.

Where are the largest family enterprises based? Europe, the Middle East, India and Africa (EMEIA)

Europe has a strong tradition of family enterprises, driven by Germany, the second-largest contributor to the Index in relation to number of companies (78), combined revenues of US\$1.13 trillion and number of employees (3.35 million). Germany continues to be the base for nearly a third (31%) of the largest family businesses in EMEIA.

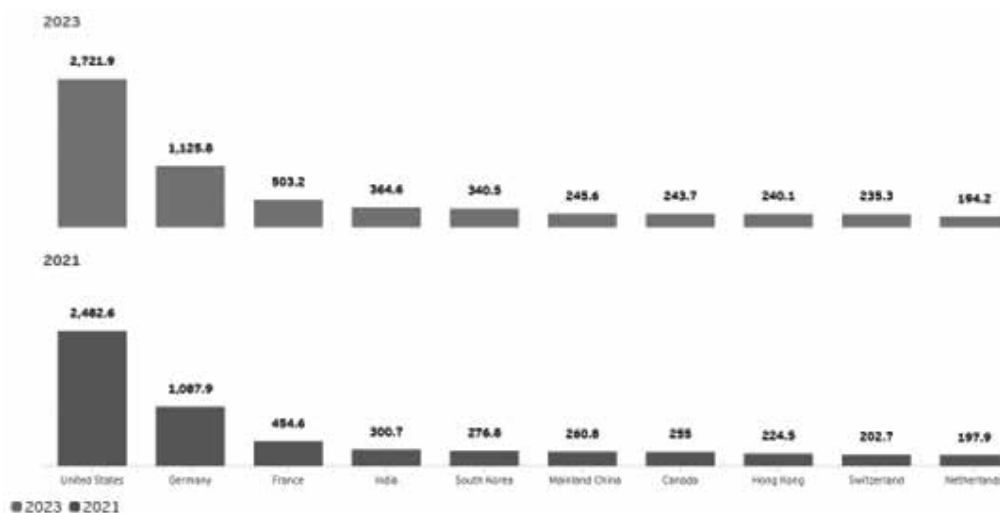
The average age for German companies in the Index is 109 years old, and Germany is home to the oldest European company in the Index—science and technology company, Merck KGaA. One of the German companies, retailer Schwarz Group, ranks among the top 10 largest family enterprises globally.

Overall, more than half (50.4%) of the companies in the Index are based in EMEIA. Their combined revenues are US\$3.46 trillion—43.2% of the total value of the Index. Europe alone contributes US\$3.05 trillion of this and, in doing so, surpasses the US\$3 trillion in combined revenues mark for the first time.

India, with the largest population in EMEIA and the second-largest in the world, broke into the top 10 largest family enterprises for the first time in this year's Index. This is thanks to conglomerate, Reliance Industries, which climbed from 12th place to 10th place in the Index. Additionally, India is the fourth-largest contributor to the Index in terms of combined revenue of its companies (US\$365 billion).

Figure 1 shows two bar charts displaying the top 10 jurisdictions

Figure 1. Top 10 jurisdictions across the globe by revenue (US\$ billion)—2023 versus 2021



Source: EY and University of St.Gallen Family Business Index

across the globe by revenue (US\$ billion). The top chart contains data from the 2023 Index and the bottom chart shows data from the 2021 Index. The US remains the top jurisdiction with US\$2,721.1 billion in the 2023 Index and US\$2,482.6 billion in the 2021 Index.

Americas

Given its dominance as the world's largest economy, it is no surprise that the US contributed nearly one-quarter (23.6%) of featured companies and more than one-third (34%) of collectively generated revenue. The US alone contributed 80.2% (US\$2.72 trillion) of the combined revenue generated by the Americas on the 2023 Index. Seven out of the 10 biggest family enterprises globally are based in the US. Despite having significantly fewer businesses on the Index than EMEIA, the Americas nearly equalled EMEIA's revenue contribution to the Index, with a total of US\$3.4 trillion.

Asia-Pacific

The number of companies based in Asia-Pacific climbed to 79 in the 2023 Index, up from 74 in 2021—a 6.8% increase. This figure has been consistently increasing ever since the first edition of the Index in 2015 when 61 companies from the region were listed. Asia-Pacific has not suffered a negative trend during that time.

Additionally, the combined revenue of companies from Asia-Pacific passed the US\$1 trillion barrier for the first time this year. The increase in a company's average revenue, compared with the previous Index, was also greatest in the region. The average Asia-Pacific company increased its revenue by 15%, or by nearly US\$2 billion, since the previous edition of the Index.

Hong Kong continues to account for the highest num-

ber of family enterprises (18) in Asia-Pacific, while South Korea continues to account for largest revenue (30%) of the region's combined revenue of US\$1.16 trillion. The largest South Korean enterprise on the Index is SK Group.

What kinds of businesses make up the 2023 Index?

The Index continues to be dominated by consumer-based family enterprises, which compose around 40% of the 2023 Index in terms of both revenue contribution (39%) and number of businesses (37%). Another sector where family enterprises are strongly represented is advanced manufacturing and mobility (AM&M), which comprises 27% of the Index in terms of revenue.

Figure 2 on the next page shows a bar chart that compares family businesses' revenue breakdown (%) by industry in the years 2023 and 2021. The consumer sector remains the top-ranking industry with 40% in 2021 and 37% in 2023.

Figure 3 on the next page shows a bar chart that compares the number of family businesses breakdown (%) by industry in the years 2023 and 2021. The consumer sector remains the top-ranking industry with 38% in 2021 and 37% in 2023.

Overall, around two-thirds of businesses on the Index (66%) operate in either the consumer or the AM&M sectors. This year [2023], the number of AM&M companies in the Index stands at its largest ever, while the number of consumer companies is still slightly below its 2017 peak. The dominance of the consumer sector is mainly driven by its share of the Index in the Americas (47% of companies in the Americas are consumer-based, compared with 19% operating in AM&M).

In EMEIA and Asia-Pacific, the consumer and AM&M industries are almost equally tied in terms of the number



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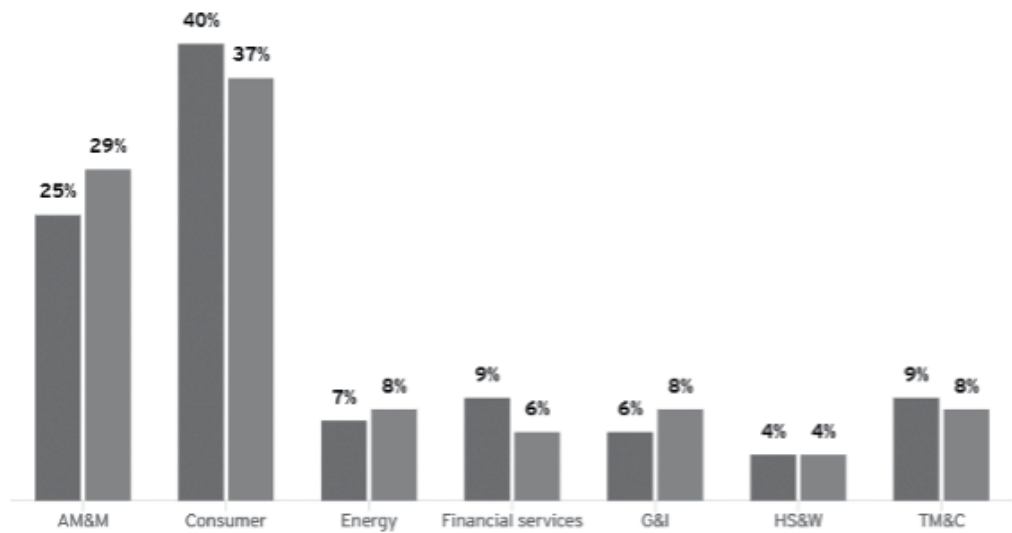
Helena leads EY's Global Family Enterprise platform, comprising a network of trusted advisers who facilitate the success and growth of family enterprises by helping them design long-term strategies and implement the right tools, skills and training to succeed. Her core specialty is tax advisory with more than 20 years' experience helping clients in Nordic countries and internationally.



The quote

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Figure 2. Revenue and number of family businesses by industry—2023 versus 2021
Revenue breakdown by industry (%)

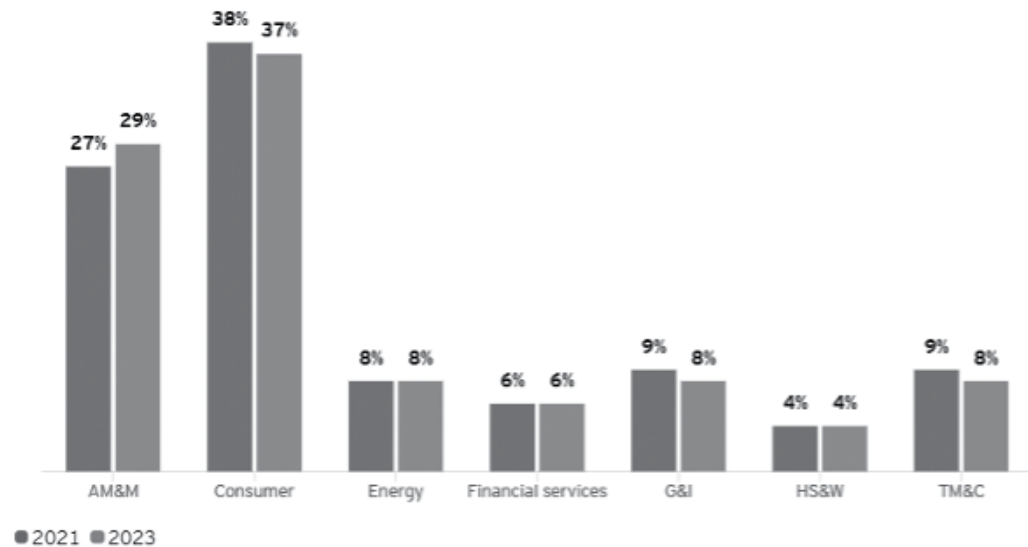


Left-hand bars of pairings = 2021
Right-hand bars of pairings = 2023

Notes: Advanced manufacturing & mobility (AM&M), government & infrastructure (G&I), health sciences and wellness (HS&W), technology, media and communications (TM&C).

Source: EY and University of St.Gallen Family Business Index

Figure 3. Revenue and number of family businesses by industry—2023 versus 2021
Total number of businesses by industry (%)

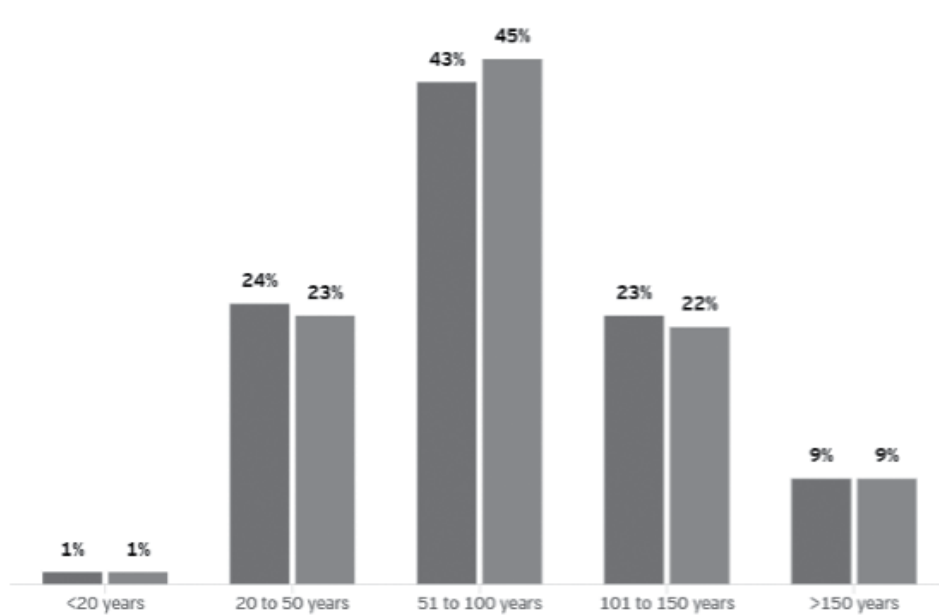


Left-hand bars of pairings = 2021
Right-hand bars of pairings = 2023

Notes: Advanced manufacturing & mobility (AM&M), government & infrastructure (G&I), health sciences and wellness (HS&W), technology, media and communications (TM&C).

Source: EY and University of St.Gallen Family Business Index

Figure 4. Breakdown of family businesses by age (%)—2023 versus 2021



Left-hand columns of pairings = 2021
Right-hand columns of pairings = 2023

Source: EY and University of St.Gallen Family Business Index



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The Index continues to be dominated by consumer-based family enterprises.

of companies that feature on the Index. In terms of revenues, however, the average AM&M company in Asia-Pacific has US\$16 billion in revenues compared with US\$11 billion for the average company in the consumer sector. EMEIA has a different trend, with the average consumer company earning US\$14.6 billion compared with US\$13 billion on average for companies in the AM&M sector.

How is the composition of the Index changing?

Almost half (47%) of new entrants to the 2023 Index come from the EMEIA region, with businesses in the Americas and Asia-Pacific making up 26.5% each.

“The Index composition is stable with only 7% of new entrants this year. What is striking is the growing prominence of Asia and the economic power these family firms wield,” Professor Dr Thomas Zellweger, chair in family business, University of St.Gallen said.

Notably, new entrants are far more likely to be public rather than private—in fact, 62% of new entrants are publicly listed. They are also more likely to operate in the AM&M sector than any other. In fact, 16 out of the 34 new entrants to the Index (47%) operate in AM&M, reflecting 2021’s recovery⁴ in global manufacturing following the pandemic.

Overall, the 2023 Index features slightly more public than private companies, with publicly listed family enterprises totalling 260 of the list. While not significant compared to 2021, where there was an equal split

between the number of public and private companies, there has been a slight trend over time toward more public companies (243 in 2017).

Who are the leaders of these family enterprises?

Successful family enterprises are recognised for being agile, innovative and purposeful. They are also ready to adapt to social and economic change. Nevertheless, like other types of businesses, they are only making limited progress with diversity and inclusion.

In the 2023 Index, just 29 enterprises (5.8% of the total) have a female CEO, a small increase from 2021, when 27 enterprises were led by a woman. Still, when it comes to female executives, they are doing marginally better than the Fortune Global 500⁵ companies—of which 4.8% were led by women as of August 2022.

Women hold 23% of board seats within the largest 500 family businesses globally (25% in Europe and North America)—a low figure given that that research⁶ by Moody’s Investors Service found that 29% of corporate board seats at North American and European companies were held by women in 2022.

As the Index shows, family members continue to play an active role in leading and managing family enterprises. For nearly half (45%) of the companies on the Index, a family member acts as CEO. Nearly-one quarter of all board seats (23%) are held by family members.



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Women hold 23% of board seats within the largest 500 family businesses globally.

Further, 19% of companies have a member of the family's next generation (someone aged 40 or under) on their board. Younger board members are likely to bring expertise and knowledge in technology and emerging consumer trends. The average age of a family board member in the 2023 Index is 62 years old, up from 60 in 2021.

What does the enduring legacy of family enterprises look like?

Japan's Takenaka Corporation is the oldest family enterprise on the Index, having been in business for 412 years. Yet a number of other companies on the Index also date back a century or more. Overall, 31% of enterprises are over a century old. Europe is home to the majority (57%) of these, with 25% based in Germany.

Figure 4 on the preceding page shows comparative data of family businesses by age in the years 2023 and 2021. The data shows that family businesses, aged from 51 to 100 years old, have remained dominant in the index in both 2021 and 2023.

Conclusion

Over three-quarters (76%) of family enterprises on the 2023 Index are more than 50 years old. Many of these businesses have weathered market volatility over several generations, underlining the extent to which family enterprises are able to maintain both their success—and their succession—over time. The stability that accompanies this longevity will prove invaluable for enabling family enterprises to effectively navigate the anticipated slowdown in global growth in 2023.

When it comes to growth, the largest family enterprises lead the way, outstripping the global economy's growth performance and generating US\$8.02 trillion in revenue.

Family-owned businesses have thrived in Europe and in the US, both reaching milestone revenue levels. Asia-Pacific continues to climb, increasing its global footprint, from 61 companies in 2015 to 79 in 2023.

Stronger performance in advanced manufacturing and mobility worldwide saw more family enterprises from this sector entering the Index as well.

The inflow of new entrants, mainly from Europe (35%), is mostly public (62%). Almost half (47%) are from manufacturing, reflecting recovery in the sector.

Women hold only 23% of board seats, indicating more needs to be done to close the gap.

The Global Family Business Index methodology

The Family Business Index is based on a global ranking of 500 family-owned businesses according to their revenues. The criteria to enter the Index is as follows:

1. The business should be in the second generation or more. If the business is still in the first generation, at least two family members should be on the board of directors, supervisory board, or the executive leadership team.

2. The family should have substantial ownership and thus decision-making authority in the business. Private companies are family firms where the family controls* at least 50% of the voting rights. Public listed companies are family firms where the family holds* at least 32% of the voting rights.
3. To allow wider representation of families, the Index features one business per family. If two or more companies controlled by the same family qualify for the Index, the Index will feature either the parent/holding company or the business with the highest revenues.
4. Revenues of featured businesses should originate from published accounts that are no more than 24 months old.
5. Data sources used to generate the Index include public domain, filed and published financial statements or annual reports, and commercially accessible databases including Bloomberg, S&P CapIQ, Orbis, BoardEx and D&B Hoovers.

(* directly or through a family foundation or trust)

The Index is drawn from available data in the public domain and should not be considered a formal or certified list of largest family businesses in the world. **FS**

Notes

1. The vast majority of financial data for this year's Index is based on published reports for the year-end 2021.
2. 'Countering the cost-of-living crisis', *World Economic Outlook Report*, October 2022. Available at <https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022> [accessed 12 May 2023].
3. Bajpai P, 'An Overview of the Trillion-Dollar Economies in the World', via [nasdaq.com](https://www.nasdaq.com), 29 April 2022. Available at <https://www.nasdaq.com/articles/an-overview-of-the-trillion-dollar-economies-in-the-world> [accessed 12 May 2023].
4. 'Manufacturing sector recovery continues but future is unpredictable', *UNIDO World Manufacturing Report*, United Nations Industrial Development Organization, 28 March 2022. Available at <https://www.unido.org/news/manufacturing-sector-recovery-continues-future-unpredictable> [accessed 12 May 2023].
5. Hinchliffe E, 'Female CEOs run just 4.8% of the world's largest businesses on the Global 500', *Fortune*, 3 August 2022. Available at <https://fortune.com/2022/08/03/female-ceos-global-500-thyssenkrupp-martina-merz-cvs-karen-lynch/> [accessed 12 May 2023].
6. Li Y, 'More women in the boardroom could drive higher credit ratings and stock returns for firms—they still hold just 29% of seats', *CNBC Equity and Opportunity*, 11 March 11 2022. Available at <https://www.cnbc.com/2022/03/11/women-gain-ground-in-the-boardroom-holding-29percent-of-director-seats-in-2022.html> [accessed 12 May 2023].