**2019** / BNP PARIBAS
ENTREPRENEUR REPORT

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what wealth needs next

AT A GLANCE

PART II

# THE ENTREPRENEURIAL JOURNEY AND ITS IMPACT ON PRIVATE WEALTH

BNP PARIBAS
WEALTH MANAGEMENT

The bank
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world

Based on the voices of 2,763 Elite entrepreneurs handling a total net worth of USD16 billion, spanning 23 countries across Europe, Asia, the United States and the Middle East, this exclusive report unveils the different stages of maturity of their entrepreneurial journey, the impact on their private wealth and their need for family governance.

## KEY FINDINGS

**47%** **of Elite entrepreneurs are in the early stages of their journey, either in the 'Creation' or 'Growth' phases,**

where the objective is to launch a product or service, or grow revenues.

**56%** **of Elite entrepreneurs have been through an M&A with one of their firms in the past.**

Those in Turkey and Brazil are most likely to have had a business acquired in the last five years, while Poland, India and China are hotspots for recent mergers.

**44%** **of Elite entrepreneurs have used credit solutions to develop their businesses**

The demand is highest in Asia (55%), rising to six in every ten entrepreneurs in China, India and Indonesia. Those in the 'Development' stage are most likely to rely on lending for business financing purposes.

**Most Elite entrepreneurs intend for their business to stay in the family**

51% say that their plan is to eventually pass to a family member. Those in Poland, Italy, Russia, Brazil and Indonesia are most convinced of this approach.

**However, family transfer becomes less appealing when entrepreneurs approach exit**

62% of entrepreneurs in the 'Creation' stage say they will pass on company interests to a family member, falling to 37% as they approach exit.

**More than half feel the next generation of business leaders need more guidance**

53% believe their successors are not ready to take over their responsibilities and 13% have not even identified anyone suitable. **However, 47% of UHNWIs are fully confident in the future leaders of their firms.**

## METHODOLOGY

### ON AVERAGE

USD16 BN
TOTAL NET WORTH

USD5.8 M
NET WORTH

2.8
COMPANIES STARTED

### REGIONS

14% USA

3% BRAZIL

51% EUROPE

30% APAC

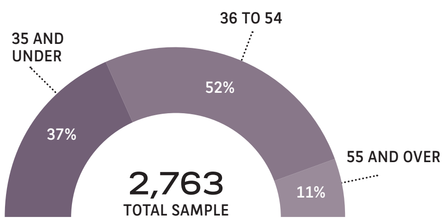
2% GCC

### GENDER

67% MALE

33% FEMALE

### AGE



# STAGE 1 CREATION

## PROFILING

**Population**
460 Elite Entrepreneurs
(17% of total sample)

**Average age**
37 years old

**Average Company Revenue in 2017**
USD6.4 million

## DEEP-DIVE

- **21% of entrepreneurs aged 35 and under are at the 'Creation' stage** of the business lifecycle, compared to only **6% aged 55 and over**.
- **26% of UHNW entrepreneurs with net worth equal to or greater than USD25 million** indicate that they are at the 'Creation' stage of the business lifecycle.

## SUCCESSION PLAN

| | | |
|---|---|---|
| 1 | Ownership will pass to a family member | 62% |
| 2 | Ownership will pass to the management team | 29% |
| 3 | Ownership will pass to a new owner | 9% |

## TOP SECTOR HOTSPOTS

| | | |
|---|---|---|
| 1 | IT and digital technology | 25% |
| 2 | Retail and culture | 17% |
| 3 | Transport and logistics | 17% |
| 4 | Manufacturing and engineering | 15% |
| 5 | Financial services | 13% |
| 6 | Professional services (e.g. medical, legal) | 13% |

## TOP 5 MARKET HOTSPOTS

| | | |
|---|---|---|
| 1 | Russia | 30% |
| 2 | Indonesia | 29% |
| 3 | China | 25% |
| 4 | GCC | 23% |
| 5 | Poland | 23% |

## FUTURE BUSINESS INVESTMENTS

| | | |
|---|---|---|
| 1 | Product design | 42% |
| 2 | Product manufacturing | 38% |
| 3 | Marketing | 34% |
| 4 | Sales and distribution | 32% |
| 5 | Customer experience (e.g. website) | 30% |
| 6 | Mobile communications | 26% |
| 7 | Finance (e.g. accounting, payments) | 23% |

## SUCCESSION ADVICE

| | | |
|---|---|---|
| 1 | Advice on how to prepare future leaders for senior leadership responsibilities | 41% |
| 2 | Advice on the correct valuation of the business | 39% |
| 3 | Support finding people with the right skills and experience to manage the business | 38% |
| 4 | Advice on structuring the transfer to optimise tax efficiency | 32% |
| 5 | Wealth management after the transfer or sale of my business | 31% |
| 6 | Facilitation during meetings to smooth the transfer | 29% |
| 7 | Putting in place a family governance code for the next generation of leaders | 25% |

Source: 2019 BNP Paribas Global Entrepreneur Report

# STAGE 2 GROWTH

## PROFILING

**Population**
844 Elite Entrepreneurs
(31% of total sample)

**Average age**
39 years old

**Average Company Revenue in 2017**
USD6.4 million

## SUCCESSION PLAN

| | | |
|---|---|---|
| 1 | Ownership will pass to a family member | 50% |
| 2 | Ownership will pass to the management team | 36% |
| 3 | Ownership will pass to a new owner | 14% |

## FUTURE BUSINESS INVESTMENTS

| | | |
|---|---|---|
| 1 | Sales and distribution | 40% |
| 2 | Marketing | 39% |
| 3 | Customer experience (e.g. website) | 34% |
| 4 | Product design | 31% |
| 5 | Product manufacturing | 28% |
| 6 | Finance (e.g. accounting, payments) | 27% |
| 7 | Mobile communications | 22% |

Source: 2019 BNP Paribas Global Entrepreneur Report

## DEEP-DIVE

- Only **34% of entrepreneurs in the 'Growth' stage** believe that the next generation of business leaders are fully prepared for future management, compared with **50% of 'Creation' stage** business owners.
- More than **one in two 'Growth' stage entrepreneurs** believe that a family governance code could help **define the future role of family members** and help **integrate them into the business**, while also helping to set up a long-term **strategic business plan for the future**.

## TOP SECTOR HOTSPOTS

| | | |
|---|---|---|
| 1 | Manufacturing and engineering | 33% |
| 2 | Transport and logistics | 31% |
| 3 | Retail and culture | 30% |
| 4 | Professional services (e.g. medical, legal) | 30% |
| 5 | IT and digital technology | 30% |
| 6 | Financial services | 26% |

## TOP 5 MARKET HOTSPOTS

| | | |
|---|---|---|
| 1 | Luxembourg | 59% |
| 2 | Belgium | 48% |
| 3 | Poland | 40% |
| 4 | Spain | 38% |
| 5 | Indonesia | 37% |

## SUCCESSION ADVICE

| | | |
|---|---|---|
| 1 | Advice on the correct valuation of the business | 44% |
| 2 | Advice on how to prepare future leaders for senior leadership responsibilities | 37% |
| 3 | Support finding people with the right skills and experience to manage the business | 37% |
| 4 | Advice on structuring the transfer to optimise tax efficiency | 34% |
| 5 | Wealth management after the transfer or sale of my business | 32% |
| 6 | Putting in place a family governance code for the next generation of leaders | 30% |
| 7 | Facilitation during meetings to smooth the transfer | 30% |

STAGE 3

# DEVELOPMENT

## PROFILING

**Population**
1,262 Elite Entrepreneurs
(46% of total sample)

**Average age**
40 years old

**Average Company**
Revenue in 2017
USD7.5 million

## DEEP-DIVE

- In terms of **future business goals**, the majority of '**Development' stage** entrepreneurs (16%) want to contribute to **innovation and development in their chosen industry**.
- **26% of 'Development' stage** entrepreneurs believe that **automation** will help **transform their business in the next five years**, compared to only **19% of their peers in the 'Growth' stage**.

## SUCCESSION PLAN

| | | |
|---|---|---|
| 1 | Ownership will pass to a family member | 48% |
| 2 | Ownership will pass to the management team | 38% |
| 3 | Ownership will pass to a new owner | 14% |

## TOP SECTOR HOTSPOTS

| | | |
|---|---|---|
| 1 | Financial services | 49% |
| 2 | Transport and logistics | 49% |
| 3 | Professional services (e.g. medical, legal) | 49% |
| 4 | Manufacturing and engineering | 47% |
| 5 | Retail and culture | 44% |
| 6 | IT and digital technology | 42% |

## TOP 5 MARKET HOTSPOTS

| | | |
|---|---|---|
| 1 | Netherlands | 64% |
| 2 | Switzerland | 63% |
| 3 | Singapore | 58% |
| 4 | Italy | 55% |
| 5 | Turkey | 54% |

## FUTURE BUSINESS INVESTMENTS

| | | |
|---|---|---|
| 1 | Marketing | 40% |
| 2 | Customer experience (e.g. website) | 38% |
| 3 | Sales and distribution | 35% |
| 4 | Product design | 35% |
| 5 | Product manufacturing | 30% |
| 6 | Finance (e.g. accounting, payments) | 29% |
| 7 | Mobile communications | 26% |

## SUCCESSION ADVICE

| | | |
|---|---|---|
| 1 | Advice on how to prepare future leaders for senior leadership responsibilities | 44% |
| 2 | Advice on the correct valuation of the business | 40% |
| 3 | Support finding people with the right skills and experience to manage the business | 40% |
| 4 | Advice on structuring the transfer to optimise tax efficiency | 38% |
| 5 | Wealth management after the transfer or sale of my business | 34% |
| 6 | Putting in place a family governance code for the next generation of leaders | 31% |
| 7 | Facilitation during meetings to smooth the transfer | 31% |

Source: 2019 BNP Paribas Global Entrepreneur Report

STAGE 4

# CONSOLIDATION

## PROFILING

**Population**
107 Elite Entrepreneurs
(4% of total sample)

**Average age**
47 years old

**Average Company**
Revenue in 2017
USD5.8 million

## SUCCESSION PLAN

| | | |
|---|---|---|
| 1 | Ownership will pass to a family member | 37% |
| 2 | Ownership will pass to the management team | 34% |
| 3 | Ownership will pass to a new owner | 29% |

## FUTURE BUSINESS INVESTMENTS

| | | |
|---|---|---|
| 1 | Marketing | 44% |
| 2 | Sales and distribution | 33% |
| 3 | Finance (e.g. accounting, payments) | 26% |
| 4 | Customer experience (e.g. website) | 24% |
| 5 | Product manufacturing | 22% |
| 6 | Product design | 18% |
| 7 | Mobile communications | 9% |

## DEEP-DIVE

- **12% of Elite Entrepreneurs aged 55 and over** are in the '**Consolidation'** **stage** of the business lifecycle, compared to only **3% of business owners aged 35 or under**.
- And in terms of future succession, only **37% of entrepreneurs preparing for business exit this year** intend to transfer ownership to a **family member**, compared with **62% of 'Creation' stage business owners**.

## PLANNING FOR BUSINESS EXIT

| | | |
|---|---|---|
| 1 | Identifying the right time to sell my business | 41% |
| 2 | Putting a plan in place to protect my wealth | 41% |
| 3 | Putting a plan in place to safeguard my family's future | 39% |
| 4 | Forming a precise understanding of the value of my company | 31% |
| 5 | Refinancing my business to improve its financial performance | 20% |
| 6 | Restructuring my business to improve its competitiveness | 19% |

## TOP 5 MARKET HOTSPOTS

| | | |
|---|---|---|
| 1 | Brazil | 7% |
| 2 | Spain | 7% |
| 3 | United States | 7% |
| 4 | Taiwan | 6% |
| 5 | Germany | 6% |

## SUCCESSION ADVICE

| | | |
|---|---|---|
| 1 | Advice on how to prepare future leaders for senior leadership responsibilities | 37% |
| 2 | Advice on the correct valuation of the business | 37% |
| 3 | Wealth management after the transfer or sale of my business | 31% |
| 4 | Facilitation during meetings to smooth the transfer | 28% |
| 5 | Support finding people with the right skills and experience to manage the business | 27% |
| 6 | Advice on structuring the transfer to optimise tax efficiency | 26% |
| 7 | Putting in place a family governance code for the next generation of leaders | 21% |

Source: 2019 BNP Paribas Global Entrepreneur Report

STAGE 5

# TRANSFER

## PROFILING

**Population**
90 Elite Entrepreneurs
(3% of total sample)

**Average age**
61 years old

**Average Company**
Revenue in 2017
USD16.5 million

## DEEP-DIVE

- **72% of entrepreneurs at the 'Transfer' stage** of the business lifecycle are **aged 55 and over**.
- Only **37% of 'Transfer' stage entrepreneurs** would transfer their primary business to a **family member** at the point of succession, compared to **62% of Creation stage** business owners.
- And in terms of **succession advice**, the majority of business owners (**44%**) planning to exit their business this year require **support sourcing the right talent** with the skills needed to manage the business in the future.

## SUCCESSION PLAN

| | | |
|---|---|---|
| 1 | Ownership will pass to a family member | 37% |
| 2 | Ownership will pass to the management team | 22% |
| 3 | Ownership will pass to a new owner | 41% |

## AGE PROFILE

| | | |
|---|---|---|
| 1 | 55 and over | 72% |
| 2 | 36 to 54 | 26% |
| 3 | 35 and under | 2% |

## TOP 5 MARKET HOTSPOTS

| | | |
|---|---|---|
| 1 | United States | 13% |
| 2 | United Kingdom | 6% |
| 3 | Switzerland | 4% |
| 4 | Netherlands | 3% |
| 5 | Germany | 3% |

## SUCCESSION ADVICE

| | | |
|---|---|---|
| 1 | Support finding people with the right skills and experience to manage the business | 44% |
| 2 | Advice on the correct valuation of the business | 33% |
| 3 | Advice on structuring the transfer to optimise tax efficiency | 22% |
| 4 | Advice on how to prepare future leaders for senior leadership responsibilities | 15% |
| 5 | Wealth management after the transfer or sale of my business | 15% |
| 6 | Putting in place a family governance code for the next generation of leaders | 11% |
| 7 | Facilitation during meetings to smooth the transfer | 7% |

Source: 2019 BNP Paribas Global Entrepreneur Report

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Elite Entrepreneurs

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## UNDERSTAND, SERVE, AND PROMOTE ENTREPRENEURS

In a world that is ever changing, entrepreneurs need to build their wealth strategy with a partner they trust. Our experts create tailored solutions by drawing on our extensive network and specific know-how to help you build a bridge between your professional and personal wealth. We are here to advise you every step of the way. Backed by our global wealth management network, our business centers around the world and our Corporate and Investment Bank, you benefit from the services of a leading banking and financial institution. With our support for entrepreneurs, your wealth has a voice. Let it be heard.
Our Wealth Management division with EUR377 billion of assets under management is a leading global private bank – the largest private bank in the Eurozone – with offices in three hubs in Europe, Asia and the USA and over 7,000 professionals. Our knowledge of local investment climates and culture makes us the natural wealth management partner for clients wanting to manage, preserve and develop their wealth across borders over the long term. We have been recently recognized Best Private Bank in Europe, Best Private Bank in South-East Asia and Best Private Bank in Western USA.



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