

# The effect value

## Ecuador

How to build a competitive  
advantage in the digital era?








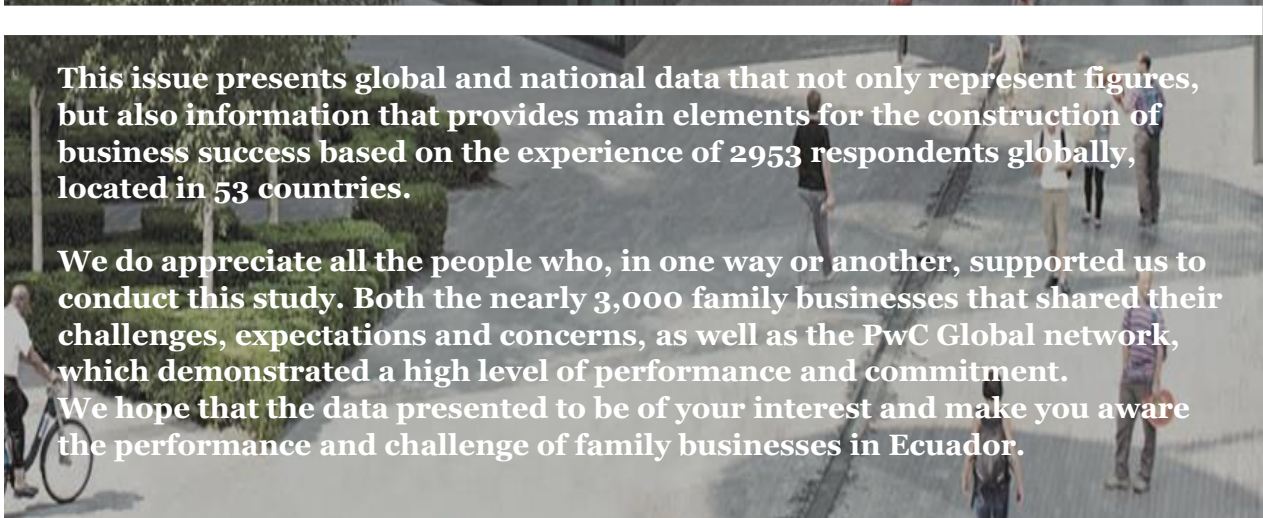
# Introduction

Family businesses are recognized as the fundamental pillar of all the economies of the world and as the engine in generating employment and strengthening the national economy. In this context, PwC conducts its “Global Family Business Survey”, every two years. Our results are focused on generating tools that assist with decision-making guidelines on various critical aspects that family businesses face, such as the succession plan, development of growth and innovation strategies, professionalism of human talent, transmission of values and family legacy, among others.

This is the first year that PwC Ecuador joins this global initiative, with the participation of 60 family businesses, which constitute a representative sample of the main family businesses in the country.



This issue presents global and national data that not only represent figures, but also information that provides main elements for the construction of business success based on the experience of 2953 respondents globally, located in 53 countries.



We do appreciate all the people who, in one way or another, supported us to conduct this study. Both the nearly 3,000 family businesses that shared their challenges, expectations and concerns, as well as the PwC Global network, which demonstrated a high level of performance and commitment. We hope that the data presented to be of your interest and make you aware the performance and challenge of family businesses in Ecuador.



PwC Global Family Business Survey 2018, GFBS, is a survey that was launched more than 16 years ago in PwC United Kingdom, this is the first year that Ecuador will be part of it, in its ninth edition. Currently, more than 2,950 family businesses located in 53 countries participate in the GFBS.

The purpose of this survey is to present useful data, promote ideas and generate discussion within family businesses aimed to grow and lead spaces for production of goods and services in the world.

Although family businesses, in general, share the same concerns as other types of companies such as: strategic planning, personnel management, efficiency, growth in the market, adaptation to changes, technological requirements, there are other criteria that are accentuated in companies of a family nature, such as the role of members and their performance within the company, family values that are the frame of the business style, generational change, legal issues related to the succession plan, among others.

In this ninth edition, PwC has considered Ecuador as a case study, a country that has contributed to the global survey with the participation of 60 national companies, whose owners and / or senior managers responded to the questionnaires related to the construction and soundness of their companies, their management, future concerns and their family and business goals.

This report groups the data collected in five dimensions:

1. Organizational performance
2. Organizational challenges
3. Family participation and succession plan.
4. Values, purpose, impact and legacy.
5. Gender equality.

It is worth mentioning that these figures reflect the answers that families wanted to share with PwC. Therefore, in certain questions 100% of the data is not shown in the graphs included herein.



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# Organizational Performance

Currently, in Ecuador, according to the Superintendence of Companies, 90% of Ecuadorian companies are of a family nature, turning into a fundamental pillar for the local economy.

As of October of this year, the Central Bank of Ecuador expects economic growth of around 1.1% by the end of 2018, which indicates that family businesses will be able to increase their sales in relation to the prior year. This affirmation is more relevant at considering that, in the coming years, there is no higher forecast of growth for state entities, thus sustaining the economic growth in the private enterprise.

In accordance with the information gathered in the survey, 68% of senior managers reported that their companies increased sales by one or two percentage points in the last fiscal year.

*“30% of Ecuadorian companies grew in double digits.”*

From the 68% of family businesses that reported growth in sales during the last year, 38% reported one-digit percentage growth, while 30% reported double-digit percentage growth. Overall, the figure for double-digit percentage increases was 34%, while 35% was a single digit. It should be mentioned that the Ecuadorian percentage is very close to the global average, evidencing that the Ecuadorian economy and the global economy have similar growth patterns.

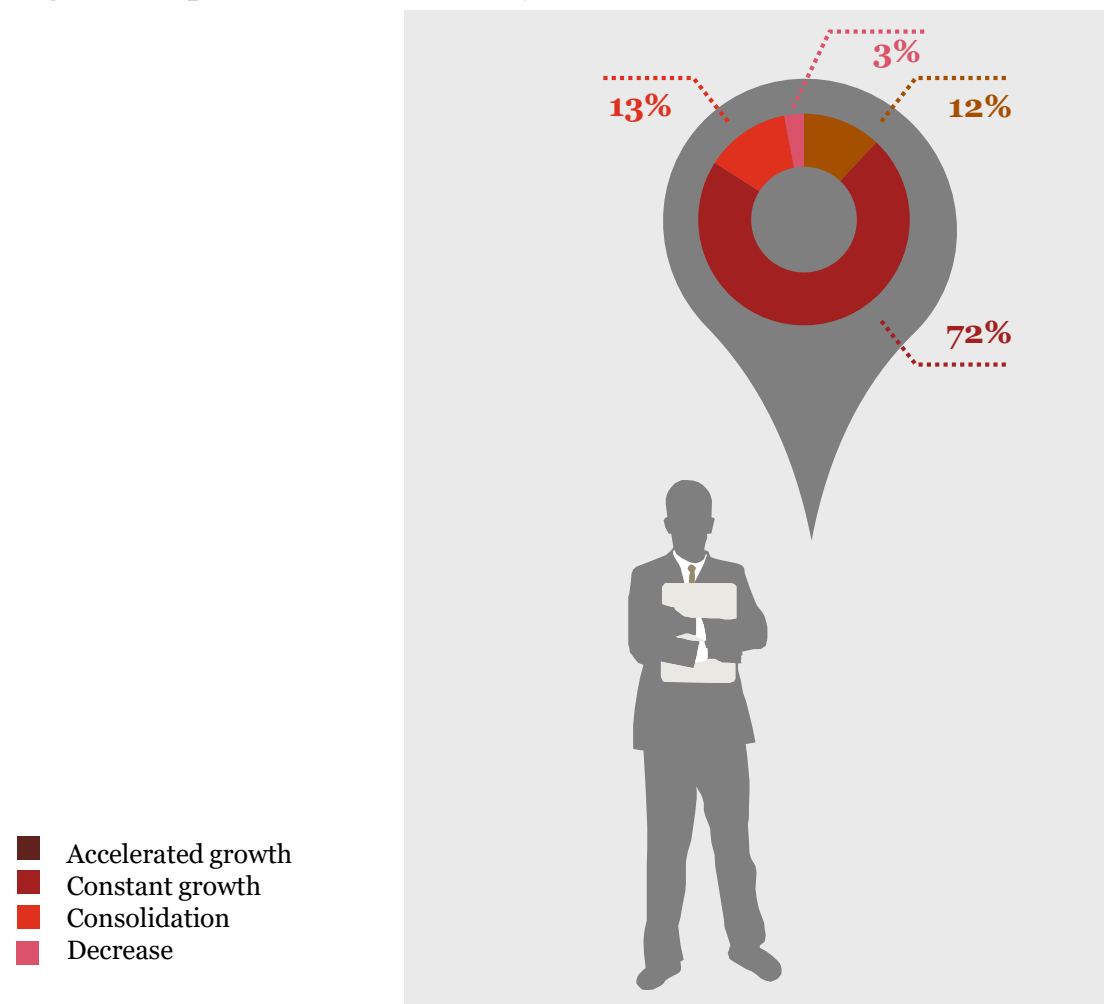
With regard to the challenges presented by family businesses in Ecuador, for the 2018-2020 period, in relation to growth prospects, the survey revealed two key points: economic growth and the need to innovate. As a result, 72% of Ecuadorian family businesses show an intention to achieve sustained and continuous growth; 4 percentage points above the global average that has a growth forecast of 68%. Globally, 16% of companies intend to grow rapidly and aggressively; while in Ecuador, there is a 12% that plans to do that way.

To achieve this goal, innovation, conservation and attraction of the best human talent and digitization are identified as challenges that can lead to more aggressive growth.

It is important to mention that both globally and locally the growth expectations of family businesses are optimistic, only 3% foresee a decrease.

***“Growth, diversification and financing:  
Pillars to make family businesses stronger  
every day.”***

### Sales growth expected for the next two years



Source: PwC Global Family Business Survey 2018

***“On average, it is estimated that exports will represent 29% of sales in Ecuadorian family businesses.”***

According to data from the Central Bank of Ecuador, there is an increase in exports between 2016 and 2017. From total exports, in the year 2017, 12.2 billion correspond to non-oil exports that have an increase compared to 11.3 billions of the year 2016.

When consulting family businesses on the percentage of income that arises from exports of goods and services, In Ecuador is observed that 24% of their income corresponds to export activities. This average includes all the family businesses that are the purpose of our study.

20% more of family businesses will export in the next five years.

Currently, 50% of the companies interviewed do so, while the other 50% trade their goods and services in the local market.

The planned increase for the next two years will be linked to the national, regional economic conditions and primarily to the legal security, which the companies count on.

***“Half of Ecuadorian family businesses interviewed export goods and services.”***

It is evident that family businesses consider the foreign market as an important source for their income.

Additionally, the commercial treaties entered into in recent years encourage family businesses to promote their products in the international market.

It is important to mention that these companies must perform a process of adapting their products and services to gain a greater share in the international market.

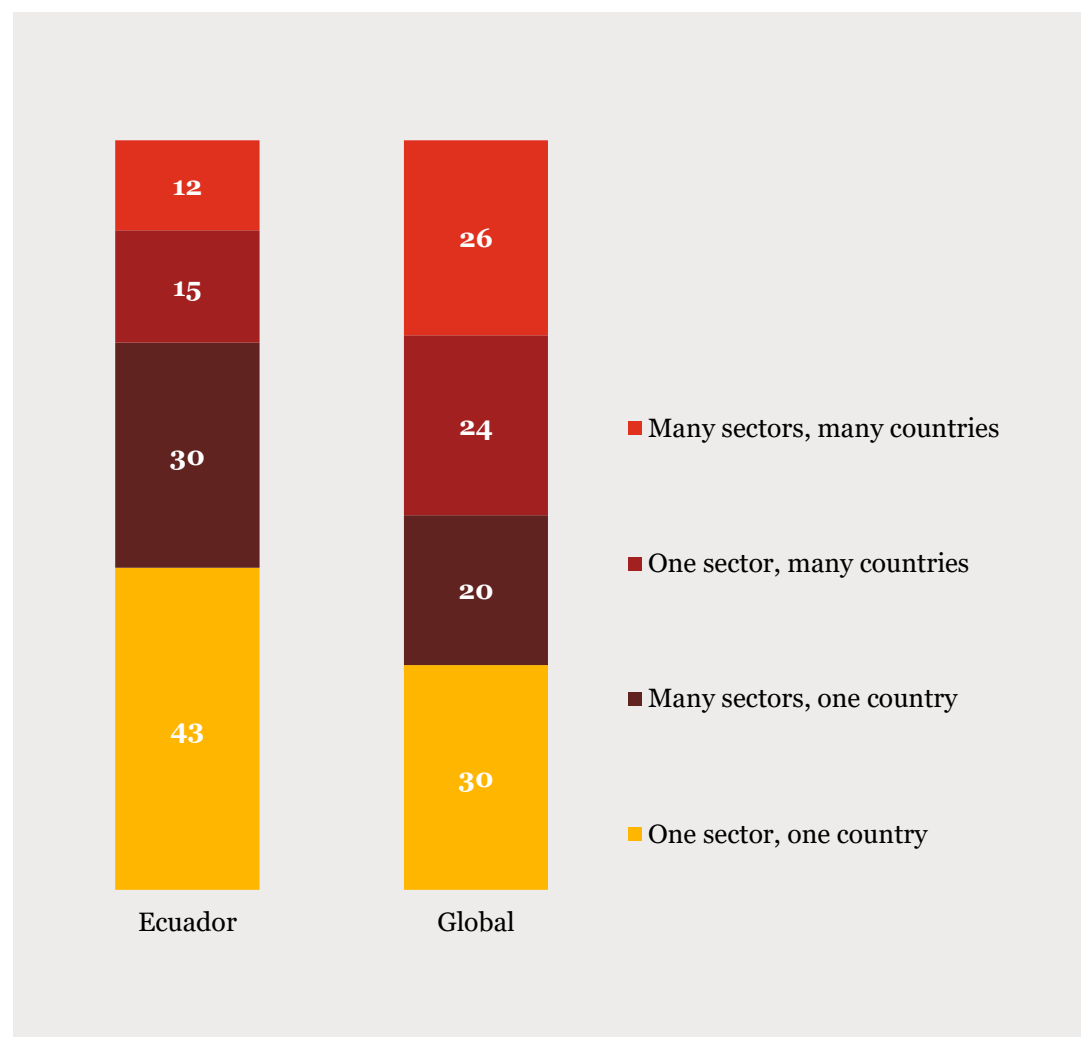
## Diversification

In terms of diversification, 43% of family businesses in Ecuador focus their production on a single product and aim their sales in a single country. At regional level, Central and South America, this is repeated by 46%. As shown in the graph, this trend is consistent throughout the region, becoming an opportunity for family businesses to increase their exports and open up new lines of business.

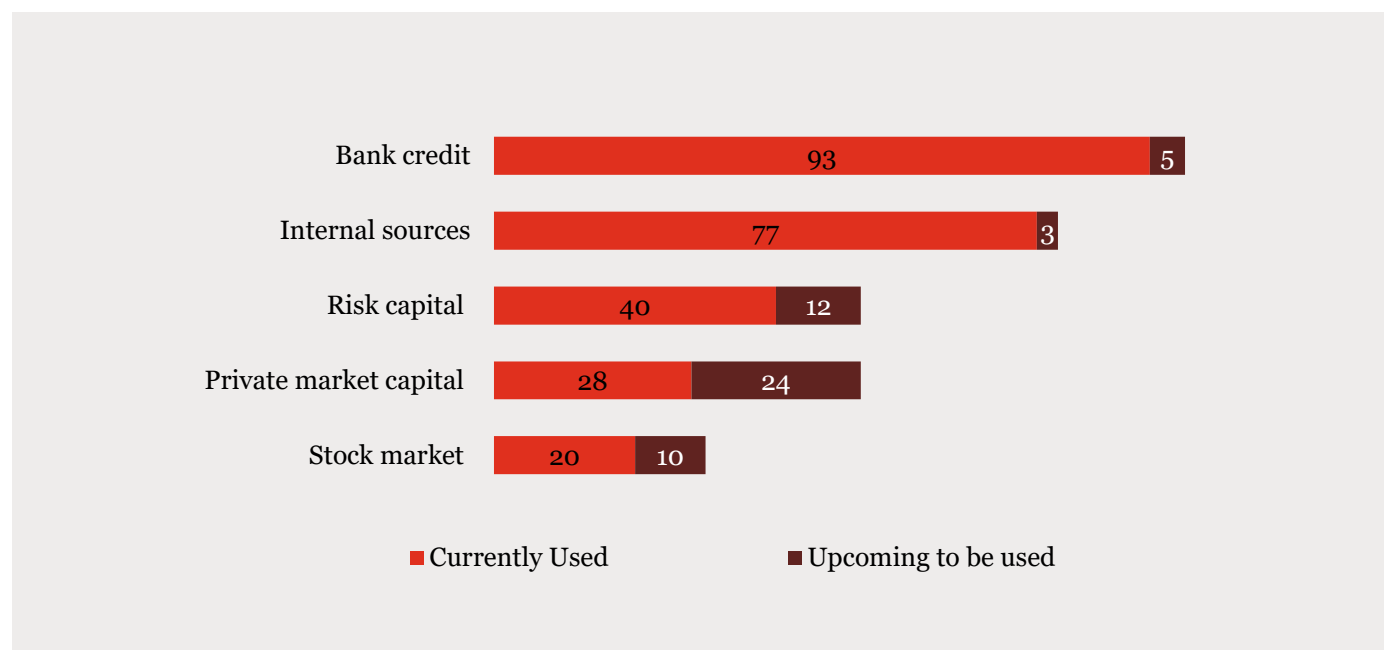
The main challenge for national and regional family businesses will be to work in several sectors and different countries to increase their sales from 12% to 26%.

Several of the family businesses, focusing on a single product and a single market, close their doors to niches that are mostly unattended in the economies. Although it is true that diversification must be linked to the business strategy, it represents an opportunity to gain a greater market within the country.

***“Compared to global levels, diversification in Ecuador is lower. 43% is dedicated to a single sector and focuses on a single country.”***



Source: PwC Global Family Business Survey 2018



Source: PwC Global Family Business Survey 2018

Among the main financing sources used by family businesses in the world are bank loans (81%), as well as internal sources of financing (71%), which support the operation of family businesses as they are considered more attractive.

In the Ecuadorian case, the first financing option, with a 93% use, is bank credit. Additionally, 5% of family businesses are willing to use it soon showing the high confidence placed in private banking.

For 77% of Ecuadorian family businesses, one of the main sources of financing is the use of internal sources or own resources.

Far from these figures, only with 16%, risk capital appears as the third global source of financing. At the national level, 40% is the percentage of companies that use this option; and 12% say they will start using it in the next 2 years.

Globally, 15% recognize that capital markets are used for financing, a

percentage that contrasts with 28% of Ecuadorian family businesses that use it as a means of financing.

It is essential to emphasize that within the country, family businesses show greater openness towards non-traditional sources of financing, in comparison to the global average, though the lack of a national capital market with a high level of depth.

Globally, 15% recognize that capital markets are used for financing, a percentage that contrasts with 28% of Ecuadorian family businesses that use it as a means of financing.

***“In fifth place, and only with 10% of use is stock market in the rest of the world. But in Ecuador is 20%.”***

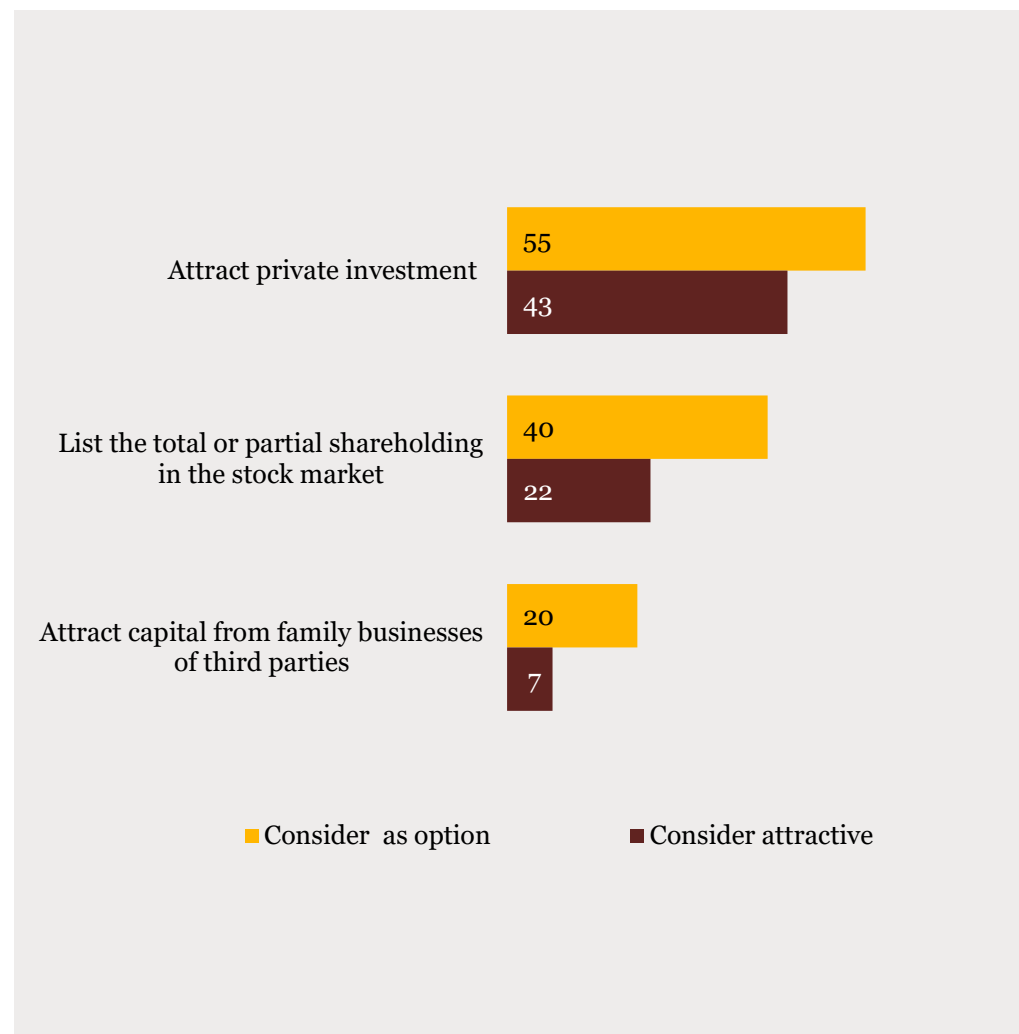


## Options considered as funding sources

In order to optimize financing, global family businesses highlight three alternatives: attract private investment, list the total or partial shareholding in the stock market and attract capital from other family businesses.

The first option, to attract private investment, is the most common both globally and locally, with 39% and 55%, respectively; followed by listing all or part of the stock package of the business in the stock market (26% and 40%); and attract capital from other family businesses (20% and 20%).

Again, in this case it is observable the same trend explained above. Ecuador is open to sources of financing where securities markets and private capitals are involved much higher than the global average, thus, this is becoming a development opportunity for such a type of financing sources. It should be mentioned that, on several occasions, non-traditional sources of financing are less expensive for family businesses.



Source: PwC Global Family Business Survey 2018

# Organizational Challenges

**The key challenges facing family businesses in Ecuador are similar to the rest of the world. With a broad vision for the next two years, the most relevant issues at the global and national levels are operational, showing that family businesses seek to focus on innovation and strengthening the digital age and technology (66% and 82%, respectively).**

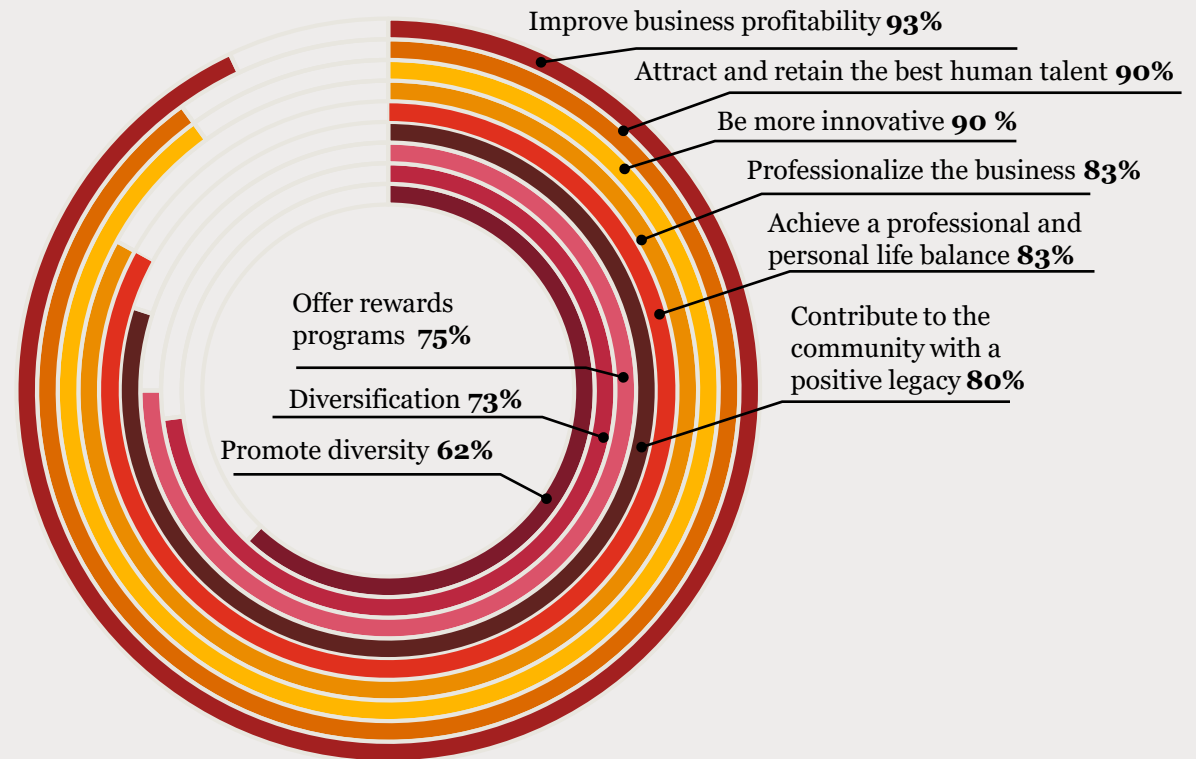
**As indicated in the following table on this page, Ecuadorian family businesses seek to be at the forefront in terms of data protection (63%) and information management (67%), a problem that has not previously been considered a key challenge of the country.**

**In the same way, they seek to put more emphasis on their planning regarding succession and conflict between family members, opening the doors for the development of future family protocols and corporate governments.**

The way of the leadership influences how companies focus their efforts to achieve objectives. Therefore, the personal challenges of the leaders are directly linked to the achievements they seek for their companies.

In Ecuador, 93% of respondents say that improving profitability is the first challenge for the next 2 years. The global average notes this challenge with 80%, showing that the first priority for its senior managers is the financial performance of the family business. Additionally, meeting the personal objectives of the top executives translates in a successful fulfilling of the family business professional objectives.

### Personal and professional key goals



Source: PwC Global Family Business Survey 2018

***“4 out of 10 Ecuadorian businessmen expect to increase their sales abroad.”***

***“75% of family businesses in Ecuador will make an effort to move towards digitalization.”***

In the immediate future, pondering innovation will be a key factor that will make the difference between one company and another. It is expected that for the next two years, leaders must make innovation an essential part of the business culture.

The results of the survey indicate that 75% of family businesses in Ecuador will make an effort to take large steps in terms of digital capabilities. In global terms, 57% seek to accelerate these capabilities.

The technological innovation and the development of the workers' skills are two highly related values, that is why in the next two years, the family businesses of the country will incorporate experienced professionals on their payroll - outside the family circle - in order to strengthen their administrative and financial management.

As mentioned above, half of the consulted Ecuadorian companies export goods and services.

As mentioned above, half of the consulted Ecuadorian companies export goods and services. It should be noted that from the remaining 50% focused on the national market, 38% of companies aim to internationalize their sales as a fundamental challenge for the coming years.

20% of the surveyed Ecuadorian companies consider buying or merging with companies from abroad in the near future, which means that, in macroeconomic terms, there would be more foreign capital and financially stronger companies.

Only 3 out of 10 people interviewed in Ecuador recognize some vulnerability to the digital eruption, including possible cyber-attacks.

This rate is considerably lower than the global average, which suggests a 40% fear of digital attacks.

This shows that in the country, even though technology is already considered a threat, companies are prepared for this type of irruption or do not consider it as a possibility in the near future.



**The business in the next two years...**

Source: PwC Global Family Business Survey 2018

***“Compared with the rest of the world, for Latin America and Europe is more important to have strategic plans”***

22% have a strategic plan but this is not formalized, documented or budgeted.

Among the companies surveyed in Ecuador, it was identified that less than half of them (48%) have a formal and documented medium-term strategic plan. From those that have some type of planning, 95% state that it is incorporated into their financial planning scheme.

88% of the companies having a strategic plan have shared this with their managers and officials, while 79% has also shared it with the external public. An interesting figure compared to the global average where only 53% share this information externally.

62% of those family businesses having a strategic plan have established key financial and non-

***“Less than half of family businesses have a medium-term strategic plan. From those that have some type of planning, 95% say that it is incorporated in the financial plan.”***

financial performance indicators to measure the progress and success of the plan.

In Ecuador a real challenge for family businesses is to generate a strategic plan and make it part of their organizational culture in order to improve and make their financial and administrative performance measurable.



**Established**  
**1968**

**Country**  
**Ecuador**

**Current generation**  
**Second**

**Sector**  
**Manufacture**



## *Get ahead of the changes*

**Carlos González- Artigas Loor**

**La Fabril**

La Fabril began operations in 1968 as a small processor and marketer of raw cotton fiber. Over the years, the company began commercializing edible fats and oils and acquired Unilever's division of mass consumption oils as well as industrial margarine so that it can later explore in the sale of biodiesel, extraction of palm and production of organic oil.

***“For my father the essential motivations to start a business life are; business vision, entrepreneurial spirit, passion, and above all, giving people jobs.”***

The challenges for the company have been entirely different depending on the stage in which the business was. In its beginnings for La Fabril the need for capital was the ultimate challenge, with the growth of the company; attracting better human capital and sustaining a good leadership became the primary test.

Little by little, this was changing when they identified the competitors, as it was now necessary to identify larger and more profitable markets. But, regardless of the stage, “the constant challenge is always to anticipate changes; new consumer trends, digitalization of life, new technologies in production and products, new regulations and behavior of new generations.”

Diversification played a fundamental role over time for us “business can be diverse, what we make sure are similar, are the necessary skills and experiences.”

Innovation is one of the strategic pillars of growth for La Fabril and is consumer-oriented.

The Company seeks to develop products, services and businesses that meet the important needs of consumers, customers and industries. For Carlos, the three elements of innovation are; focus, response time and evaluation. These elements have led to La Fabril to be named as a leading company within the categories of innovation, development of new markets, diversity and social inclusion in the ranking of companies in Ecuador.

***“We believe that innovation is a challenge in developing products and services that truly offer value to customers and consumers in the most simple and disruptive way.”***

Digitalization is developing very fast. “Our costumers and consumers of new generations are set in a digital era.” Now, competitors are born digital. “We have the challenge of adapting this new era as our own.”

***“Even though we have a robust process, it still has a lot of options to improve itself, not only by innovating the product but by innovating and improving processes.”***

Frequently, professionalization for several family business represents a threat. For La Fabril every successful family business faces professionalization as a challenge. “Our challenge is to achieve it without losing the competitive advantages that being a family business brings”

Being a company with the aim of generating value by offering differentiated products, white labels are a constant challenge. The questions for the company is how to generate a differentiation appreciated by customers and consumers without it being quickly copied.

La Fabril has capitalized on the local market and on exports, especially in Colombia. Currently, they make white labels for Supermaxi, Tia and Mi Comisariato within the country and in the Colombian market for Grupo Éxito, Macro, Cañaveral, Justo y Bueno and Alkosto.

***“When we do not have the capacity and experience to succeed in a business, we are probably going to fail.”***

La Fabril has expectations in multiple dimensions, the company seeks to develop and help with the development of its customers, suppliers and partners. “We do not feel complete if the development is only one.”

In ten years, “we want to achieve our environmental and social goals, just as we pursue financial goals.” Therefore, we have a succession plan that seeks to prepare us for the third generation. The succession plan separated the business from the family plan. It seeks to take charge of the business objectives and emotional needs of the founders and successors.

***The biggest challenge for the company is to accept that “life will confront us with multiple decisions that, if we are not prepared, we can make mistakes.”***

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## Family participation and succession plan

**Face the future being strength and forethought is a responsibility of those who lead family businesses to ensure the stability of the family business and its future.**

**In line with what was mentioned in the previous section, regarding the planning, the continuity of the family business over time is linked to the rules that the family has regarding their participation in the business, as well as the succession of the Company property.**

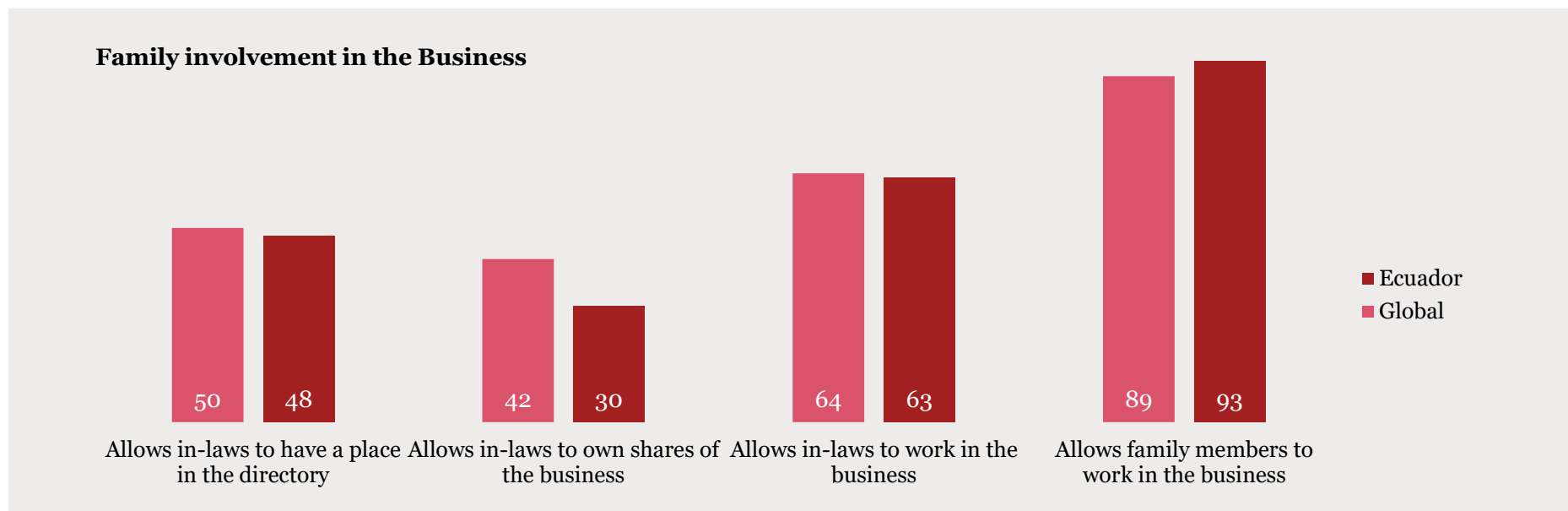




In most family businesses, family members are actively involved. In Ecuador this figure reaches 93% compared to the global average of 89%.

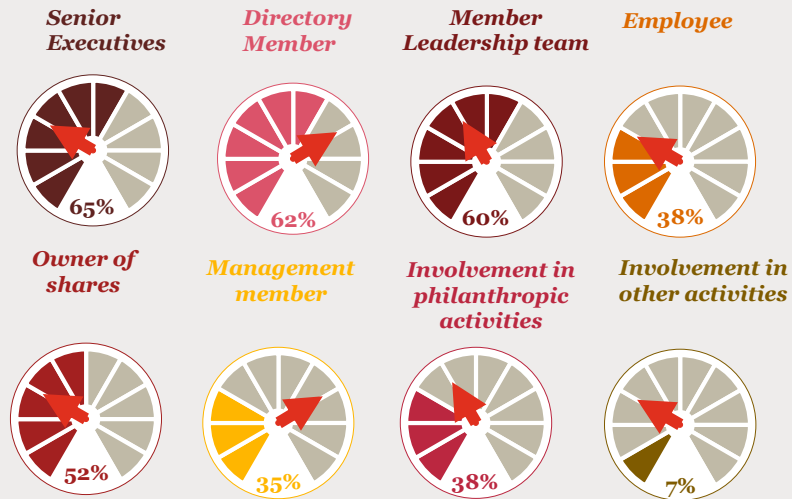
When we talk about the participation of wives and husbands, we see that at the national level, 63% of family businesses allow spouses and / or couples to be part of the business aligned to what global companies do.

The graph shows that only 30% allow couples to own shares, that is, in the country, companies prefer family assets to remain within their direct family. However, almost 50% of them can hold positions of the highest responsibility within family businesses.



**Fuente:** PwC Global Family Business Survey 2018

### Involvement of future generations in the business



Source: PwC Global Family Business Survey 2018

From the information gathered in Ecuador, it is observable that family businesses in the country begin to transfer to the second generation.

There is a growing number of family members involved, which leads to the recognition that as the company grows, the need for better decision-making mechanisms grows, as well as the

***“Appropriate planning along with family involvement and a succession plan are key elements that contribute to today’s strength and strengthen the path of tomorrow.”***

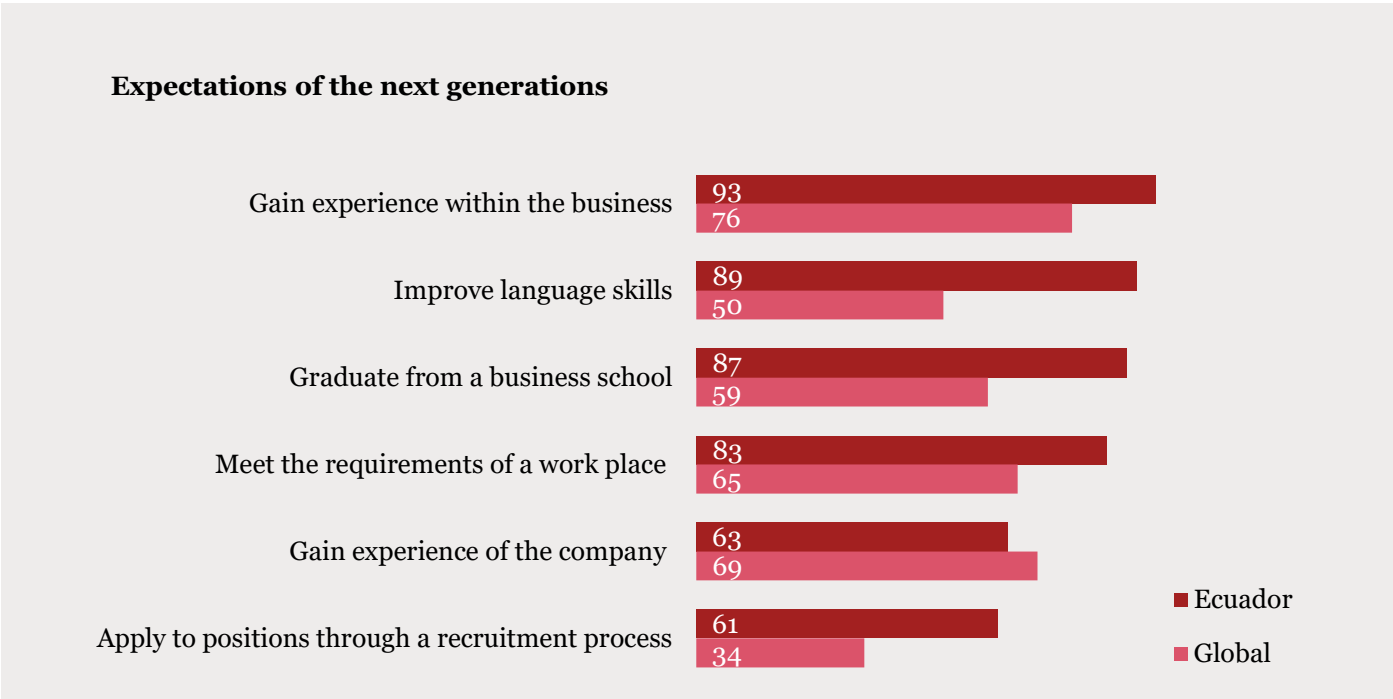
optimization of administration mechanisms, patrimonial succession and family protocols. In the same way, fine-tuning conflict resolution tools and family protocols becomes a priority for families.

Currently, 77% of family businesses in Ecuador have the next generation working for the company.

From that percentage, 65% serves as a senior executive, 62% as a member of the boards and 60% is part of the teams that lead the company.

These figures may indicate the importance of sustaining the leadership of the business in the hands of the direct parties involved. It was observed in the survey that 52% -even though they are not part of the company- are shareholders, this data opens the possibility of incorporating better and more updated family protocol plans.

The figures obtained in the survey at a global level show that 65% of companies allow members of the family group to be part of the company, but only 36% act as senior executives and 37% have participation in the boards. Ecuador surpasses these figures and shows that family businesses are adopting new behaviors and opening their doors to structural changes in the country.



*“92% of Ecuadorian family businesses has some procedure / policy in force within the company. This rank is greater than the global average.”*

Source: PwC Global Family Business Survey 2018

In accordance with the data obtained in GFBS 2018, the next generations have as aspirations to gain experience in the family business (93%), learn a foreign language that contributes in the construction of the business (89%) or graduate in a business school (87%) ). These expectations are higher within the country than in the rest of the world, where gaining experience concerns 76% of global respondents,

improving their language skills is of interest to only half of respondents and seeking a professional degree in business on 59%.

Certainly, next generations not only focus on being part of the family business, they seek to train in several areas to apply the acquired knowledge in order to promote development and ensure the highest level of management in the family business.

Each family business has solid foundations based on its values and business vision, which set its characteristics and differentiations. These axes must be considered in the preparation of its business and family vision.

Moreover, family businesses must establish effective mechanisms for governance and prevent conflicts from a business perspective; it is necessary to generate good corporate

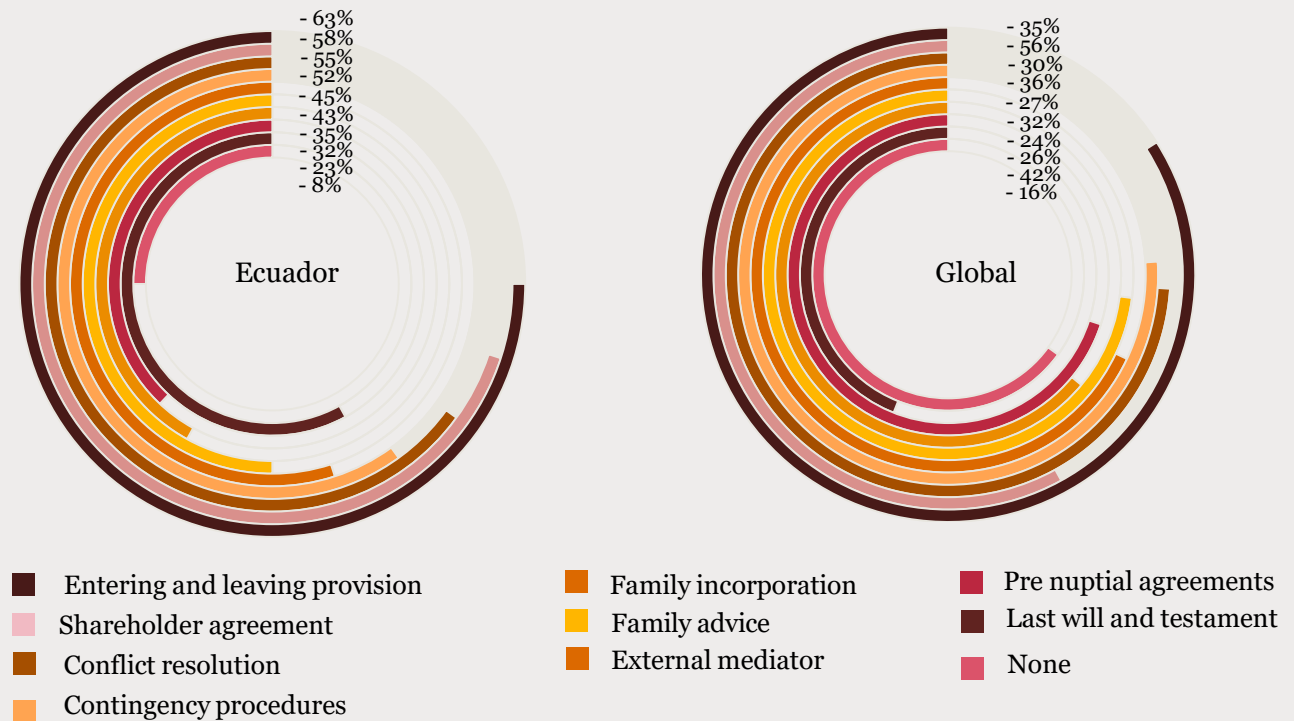
governance practices; from the family perspective, structures that regulate the participation and performance of the members.

The surveyed Ecuadorian family businesses highlight three dimensions for family participation: business management, family involvement and succession.

In terms of business management, important mechanisms are distinguished: provision of entering in actual terms- is the legal manner to determine the asset transition.

However, the succession has a subjective inclination that is related to the destination desired for the company.

### Policies and procedures



Source PwC Global Family Business Survey 2018

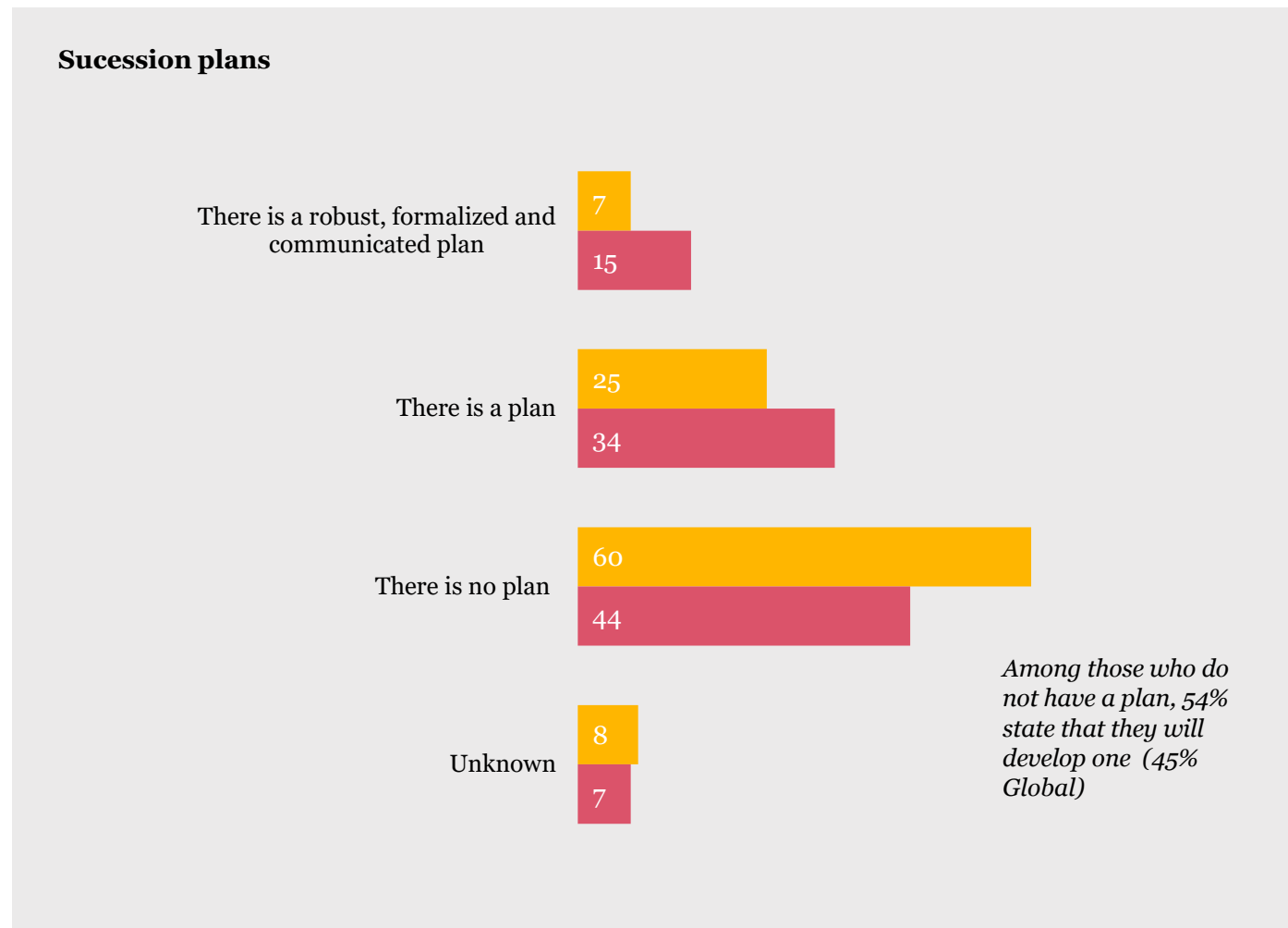
The responses of businessmen in Ecuador indicate that currently the most used business management mechanisms are entering and leaving notices (63%), shareholder agreement (58%), conflict resolution (55%) and contingency and emergency procedures (52%).

Among the main instruments linked to family involvement family protocol 45%, family advice 43%, external mediator 35% and prenuptial agreements 32%.

In the succession matter, via last will and testament, companies suggest their use by 23%, showing a difference of almost twenty points with the global average that scores 42%.



## Is there a succession plan?



Source PwC Global Family Business Survey 2018

Conflict resolution mechanisms are the most appropriate way to manage difficulties. In Ecuador, the data obtained from the respondents show that family businesses prefer to resolve conflicts within their own families (72%), as well as to discuss them openly with their members (63%).

The use of an external mediator is not usual neither in Ecuador (8%) nor in the world (14%).

17% of all respondents in Ecuador and the world report not having experienced any conflict.

***“77% affirms that family conflicts are handled within the intermediate / close family. Only 8% use an external mediator.”***

When asked about the succession plans, it is observed that 1 in every 7 Ecuadorian interviewed companies recognizes having a solid, documented and communicated succession plan.

This number represents less than half the average of the answers obtained worldwide, where 15% indicate having this instrument. 60% of the companies that answered the questionnaire said they do not have any type of succession plan.

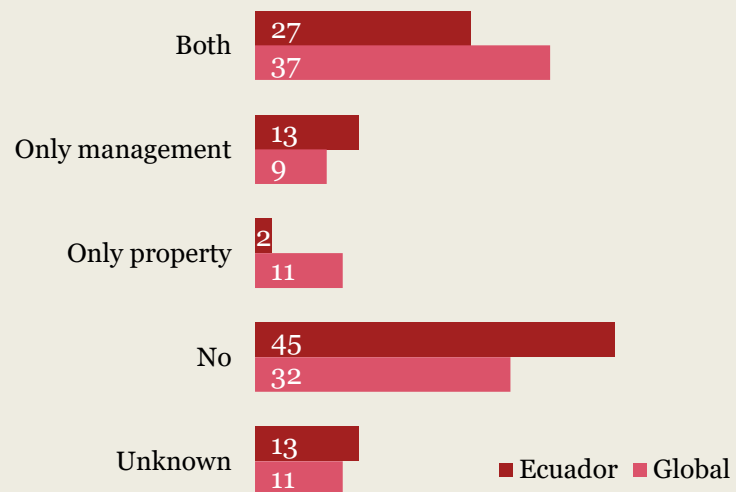
However, 54% of them are interested in developing one in the next two years. The answers obtained in Ecuador show that 1 of every 4 companies has a plan, but this is not necessarily formalized.

It is necessary to face succession plans in a broad, communicated and consensual manner from first to second or third generation, depending on the case.

***“Only 7% of Ecuador's family businesses have a robust, formalized and communicated succession plan, half of the global average (15%).”***

The seriousness and quality of the transitions will be decisive for companies continuity in the future, in their solidity and legacy they want to transmit, not only to the family but to the society.

### Would you transfer property / administration to the next generation??



***“4 out of 10 family business leaders plan the transition from management and leadership to the next generation.”***

Source: PwC Global Family Business Survey 2018

# 42%

plan to transfer administration and/or property to the next generation (57% Global).

42% of family businesses surveyed in Ecuador are interested in transferring both the administration and ownership of the company. Currently, in those family businesses where the next generations are already working, this statistic amounts to 48%.

13% say that they only intend to transfer the administration; meanwhile, the property would be transferred only in 2%.

About half of the owners do not yet contemplate the transfer of company ownership or management. This may be attributed to the youth of the companies and those who lead them, or where a succession plan is yet to be developed.



**Established**  
1973

**Country**  
Ecuador

**Current generation**  
Second

**Sector**  
Commerce



## *We sow trust, and our common goal is the farmer*

**Nicolás Armstrong**  
Agripac

Agripac started operations in 1968 as a small processor and Robert Armstrong created the company in 1972. At that time in the field of agrochemicals "Ecuador was a world of opportunities, everything was still to be done"

*"At 73, my father is the leader of the company and the example of the workers for their punctuality, their dedication and their interpersonal relationships with all our employees."*

Forty years ago, in the beginnings of Agripac, the landowners and farmers had to Guayaquil or Quito to get supplies. The company was raised as the first objective.

Agripac has different divisions that make up and strengthen the business: Agriculture, Aquaculture, Animal Health and Consumption; From these areas are handled agrochemicals, seeds, insecticides for domestic use, aerosol fumigation, industrial chemicals, veterinary products. The common denominator is the farmer; and "our main interest is to support, lead and accompany them in the production processes".

For the future of the family in the company, I hope that "we have children and nephews who eventually want to take over Agripac. I hope you have the passion to do it as a fundamental component in the growth and strengthening of the company."



***"I think my greatest fortune is the passion for agriculture. That's why I returned to the country, changed my life and I'm following in my father's footsteps. "***

For the successors of Agripac a succession plan is fundamental. "We are lucky that I am interested in Agripac for the future, to take it to a better position to pass it on to the next generation."

Nicolás considers sustainability to be a fundamental edge. The company seeks to generate organic products, support the management of waste and packaging to protect the environment from chemical waste. Additionally, it tries to educate the population and protect their health.

The values inculcated are honesty in the business and work ethic. Agripac seeks to sow confidence and create quality products to help the farmer.

We have a strong commitment to the community. We sensitize, educate and support the processes linked to production.

We encourage sport within the company, we focus on the families of more than 1,200 people who work with us, on their welfare and on the security of the jobs we provide.

***"My father is the most responsible official, he is the first to arrive every day to work; go through the 180 stores every year, personally visit the employees ". During the visits, we share our vision, the objectives of the company and the path the company wants to follow. "***

"We trust in our national talent. Every year, the best graduates as agronomists, biologists and veterinarians of the country enter our plant where we provide them with a career plan ".

That is why "Agripac offers a career for life, creates trajectory, growth opportunities and commitment for its employees."

***"I would like to see Ecuadorian multinationals going out to other markets and why not think that Agripac can be one of them."***

For Nicolás, Ecuador must stop being a primary economy country. "We must generate added value, take advantage of our opportunities and resources."



# Values, purpose, impact and legacy

**The data indicated in this table correspond specifically to Ecuadorian family businesses. The three elements that reached the highest degree of acceptance at the local level are the affirmations about whether there is a clear set of values (93%), if there is a documented vision and mission (90%) and if there is acceptance of the mission and values within the family businesses (88%).**

**At a global level, the three highest-scoring elements correspond to affirmations about whether there is acceptance of the mission and values (79%), if there is a social responsibility commitment (77%) and if there is a clear set of values (75%).**



***“88% of Ecuadorian companies understands the meaning of family values and the purpose of the company.”***

For local family businesses social responsibility aspect are more important, this is at variance from the global environment.

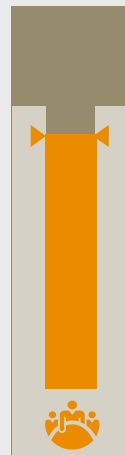
Additionally, the statistics of family businesses that maintain a documented vision and mission in Ecuador (90%), is significantly greater than the global environment (68%), which indicates that the documentation of vision and mission is a practice of greater relevance for local family businesses leaders than global leaders.

In addition, the percentage of local family businesses that have established a code of conduct is similar to the percentage of the region (72%), which exceeds the overall statistics, such a value reaches 66%.

### Do you agree with the following statements?

**93%**

There is a clear set of values



**90%**

There is a state mission and vision



**88%**

There is an acceptance of mission and values



**82%**

There is social responsibility commitment



**78%**

Values are defined by family members



**78%**

Values and mission are stated



**72%**

There a disciplinary code



Source: PwC Global Family Business Survey 2018



### Values and purposes assit to...



Source: PwC Global Family Business Survey 2018

**“96% of the interviewees state that family values were established by the owners of the companies, as well as by those responsible for their administration.”**

The vast majority of respondents in Ecuador point out that the values of the company have always been within the family (98%), while 96% state that these values have also contributed to the definition of the business vision.

Additionally, 87% of family businesses communicate and share their values with customers and employees, thus intending to

contribute to the conservation of the family legacy established in the company since its inception.

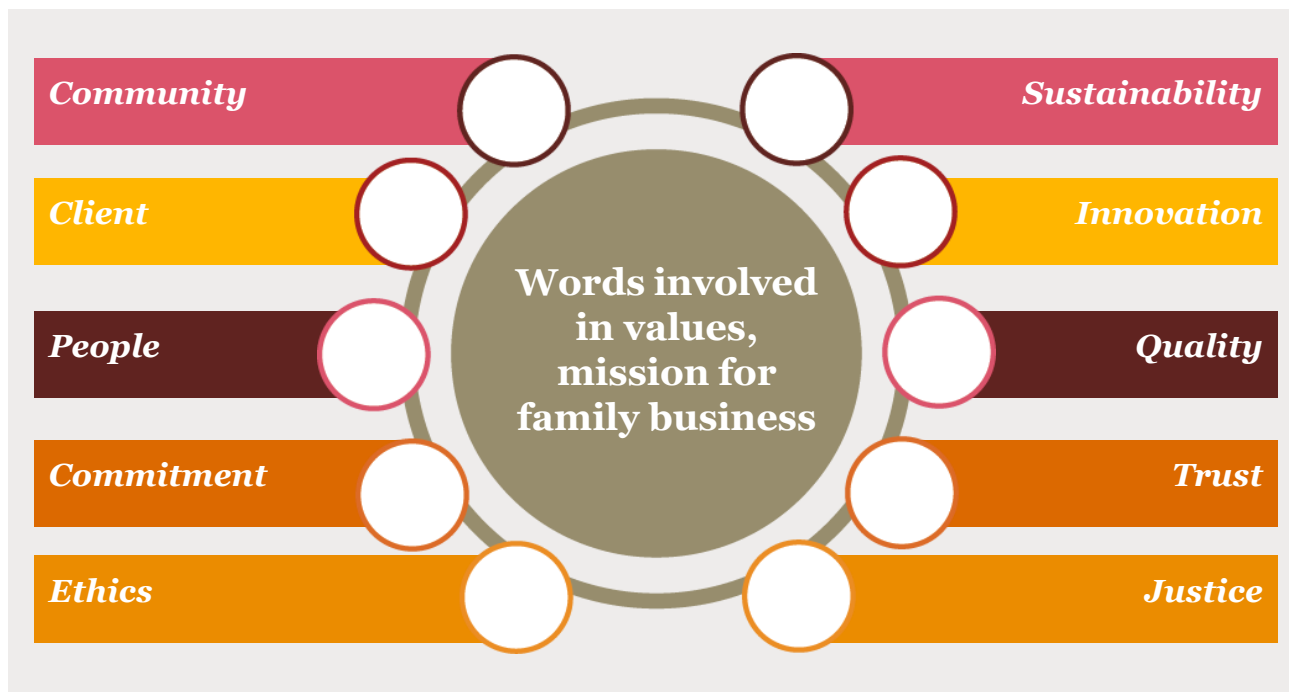
Values and purpose assist family businesses in many aspects. The table in this page summarizes them. It should be noted that in all dimensions, the percentage of local family businesses is higher than the percentage of regional and global companies.

In Ecuador, 85% of family business leaders recognize that those values allowed them to increase the income and profitability of their company.

This statistic exceeds regional and global results, which reach values of 76% and 70%, respectively. It is important to mention that 96% of Ecuadorian family businesses consider that the values and purpose help to increase the sustainability, as well as creating a better work environment.

This data surpasses the values indicated at a global and regional level by at least six percentage points in each dimension, which indicates that the leaders of the Ecuadorian family businesses assess on a higher manner the impact of values and purpose on aspects of work environment and sustainability than the leaders of family businesses abroad.

It is worth noting the high importance that leaders of local family businesses attribute to values and purpose as means to increase brand recognition. This statistic reaches 94%, while in the regional and global scope, reaches 88% and 73%, respectively.



Source: PwC Global Family Business Survey 2018

Although a set of values is the guide that delineates the family structure and the business path, these are not always clearly defined and documented. When observing the results of this aspect in the global survey, some terms were identified as they have become a constant in family businesses, such as: ***honesty, hard work, respect and integrity.***

More values and better articulated, are the evidence that the rigor of undertaking a plan in writing is a process as necessary as significant for family businesses. This is perceived as a competitive advantage and may be a basis for other instruments that strengthen and benefit the management of the business, such as, for example, the strategic plan, shareholder agreements, family government or succession plans

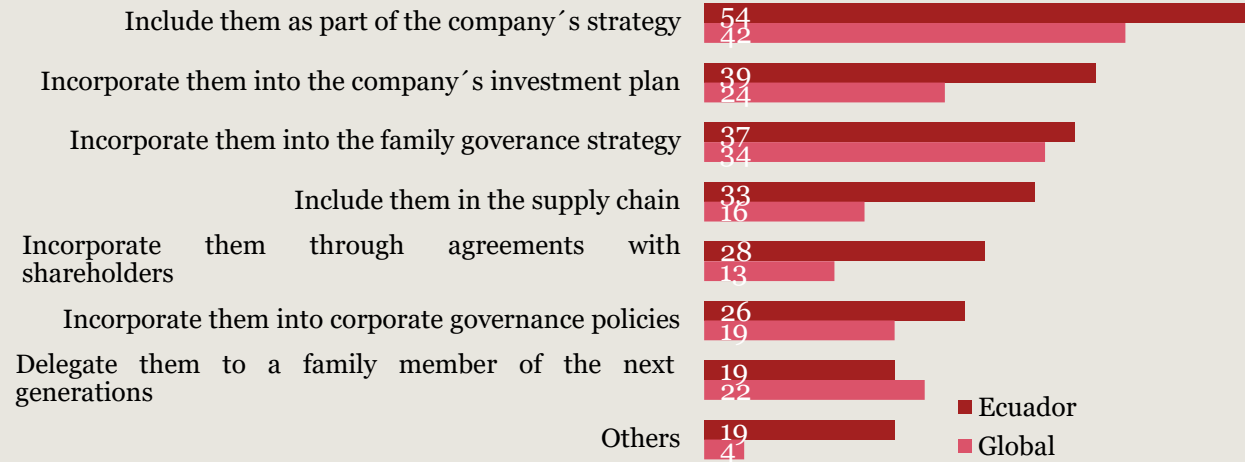
Among other concepts that support the integrity of these companies, which have established their values in writing, are some elements that are mostly used by family businesses to build the mission and values:

***“A company with clearly defined values favors the work environment, maintains staff committed to organizational objectives and potentializes business profitability.”***



*"One of main activities developed in social responsibility is monetary donations"*

### Methods to assess the impact of philanthropic activities



Source: PwC Global Family Business Survey 2018

When analyzing the results of the survey for Ecuador, there is evidence that the companies that have defined and documented their mission and values also:

- Have a current succession plan.
- Have a financed, formalized and communicated medium-term strategic plan.
- Take technology and artificial intelligence into account as challenges.
- Have grown and expect to grow in the next two years.

Companies worldwide show a high interest in social commitment.

Therefore, they find different ways of supporting social initiatives, as well as providing support to the community. One of the main methods used by family businesses in terms of social responsibility is to make monetary donations to various projects of social impact and / or directly to the communities. This strategy is used 81% globally, while in Ecuador it is used by 82% of family businesses.

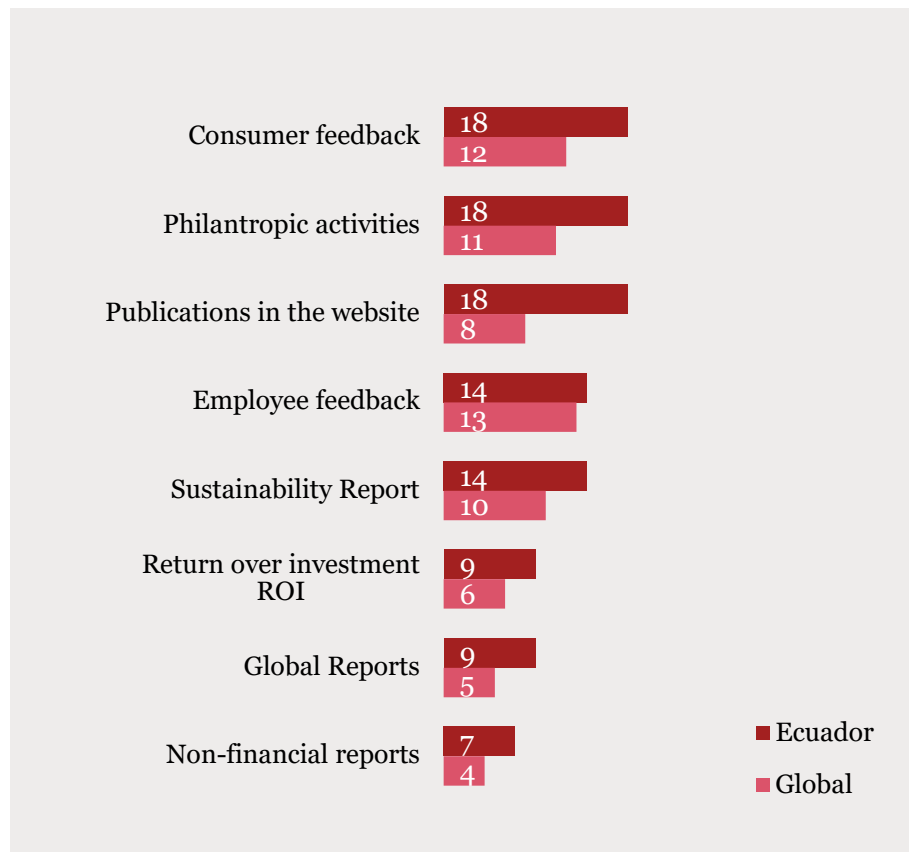
Additionally, there are other methodologies to approach and link family businesses with the community. For example, establish a

volunteer service. 55% of the companies interviewed in Ecuador recognized this as a common social contribution.

About 20% of surveyed family businesses claim to have a foundation for social purposes, while 10% have a foundation shared with other family businesses. These figures indicate that, in Ecuador, foundations do not constitute a common practice to contribute to social development.

### Measuring the success / impact of philanthropic activities

Additionally, there are other innovative schemes of social service in which the entrepreneurs of Ecuadorian family businesses are committed. These forms include, for example, involving employees in making decisions about community services (48%) or creating a donation scheme for their employees (32%).



Source: PwC Global Family Business Survey 2018

***“77% of the interviewed local family businesses are involved in some philanthropic or social responsibility activity.”***

Those family businesses committed to social service and philanthropy use a variety of methods to ensure that social responsibility is a reality.

30% of family businesses try to measure this impact through various methods. In this table, these methods are shown, including the percentage of family businesses that execute them.

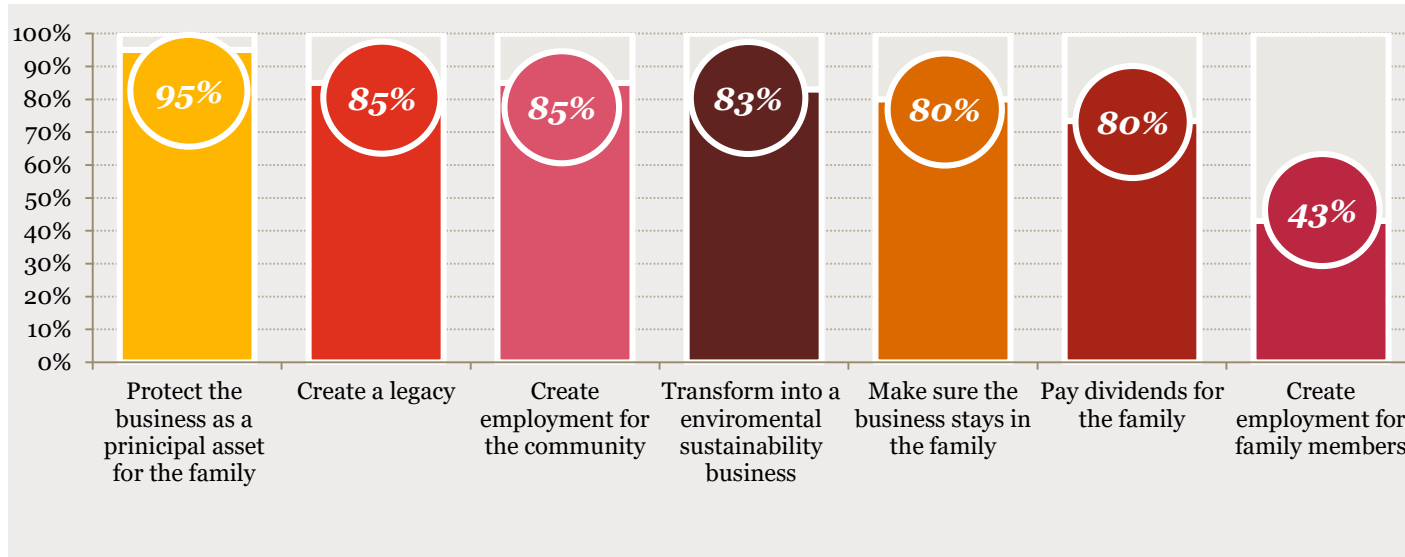
More than half of local family businesses have opted to include philanthropic activities in their organizational strategy (54%). At a regional and global level, the percentage of companies that apply this method is 51% and 42%, respectively, placing Ecuador above the indicated values.

On the other hand, 19% of Ecuadorian family businesses choose to delegate this type of activity to a member of the family belonging to the next generation, and this is the only case in which the percentage of Ecuador is lower than the regional and global percentage, which is 22% in both cases.

Furthermore, to measure the success and impact of philanthropic strategies, another type of indicators is applied. Among the most important used by Ecuadorian family businesses are: customer feedback (18%), report on philanthropic activities and publication on corporate websites (18%), employee feedback (14%), sustainability reports (14%), calculation of the return on social investment (9%), among others.

***“In the long term, 95% of family businesses intend to protect the business as the greatest family asset. 85% seek to create a legacy as a long-term goal.”***

### Long-term goals



Source: PwC Global Family Business Survey 2018

***“The family business: a human and financial legacy with the intention of serving the development of the community.”***

Among their long-term goals, the interviewed Ecuadorian companies recognized that the

most important is to protect the business as the greatest family asset (95%) and turn the business into a legacy for future generations (85%). The percentage of Ecuadorian family businesses that pursue these objectives is greater than the global and regional percentages by at least four percentage points. This indicates that one of the main motivations of local

executives and entrepreneurs is to create a value-generating asset, which is transferred and managed by the next generations. The latter is more noticeable in Ecuador than at the regional and global environment.

This chapter shows the way Ecuadorian family-business complex has different layers of density, the way their beginnings are supported in values and goals, until the moment these are established as solid sustainability goals and business endurance.

The present and the future are combined in the line of material family transcendence and immaterial legacy. Ensuring that the business stays in the family and creating dividends for its members, is undoubtedly a long-term goal, raised by 80% of respondents. To a lesser extent, they are concerned about creating jobs for family members (43%).

Although the aforementioned aspects are directly related to what benefits or will benefit the family in the future, there is an element that generates another type of legacy and is one that highlight the social commitment and the environment that family businesses have. Among these objectives are: make the company generate jobs for the community (85%) and become a sustainable business, with policies favorable to care for the environment (83%).

It should be noted that for the first, both the local and regional percentage are at least twenty percentage points above the overall percentage, indicating a trend in favor of benefits for the community in the Latin American region.

Many family businesses define success not only in terms of financial health, but in intangible elements of personal growth and development. The defense of the fundamental values on which the company is supported, as well as the support of its collaborators.

***“Globally, continuity is the key to creating a legacy, both at the level of physical business, family involvement, growth, as well as support for the community.”***

### On a global level, what is the meaning of building a legacy?

#### *Family/Community*

- Be an honorable and respected employer with satisfied and confident employees.
- Maintain family values such as honesty, reliability and integrity.
- Benefit society and not benefit from it. Have marked the difference in a positive way, for instance, through social projects.
- Support the employees' families to prosper in various aspects besides financial.
- Create a source of wealth and employment for the family, employees, shareholders and the community.

#### *Business*

- Remain as a sustainable player in the market. Form a profitable and solid company
- Facing and overcoming the changes and challenges that arise. Deal with the pressure of the environment.
- Transfer the business to the next generation in better condition than that when inherited.
- Leave a legacy at the quality level of the offered products and services.
- Having diversified and professionalized the business appropriately.

**For Ecuador, what does it mean to build a legacy?**

**“The community should understands that, our driver is not only an economic reason but a vocation of service. A vocation of service that leads us to build a better society. We have not taken advantage of society, but we have been a source of support for the people who work in the company. That is the image that my boss left in the community: you can get very far by working in a honest and fair manner.”**

**“Continue to grow, develop, generate sources of work and preserve a balance that allows the company to maintain its operations in the future. Becoming an asset, especially for the community.”**

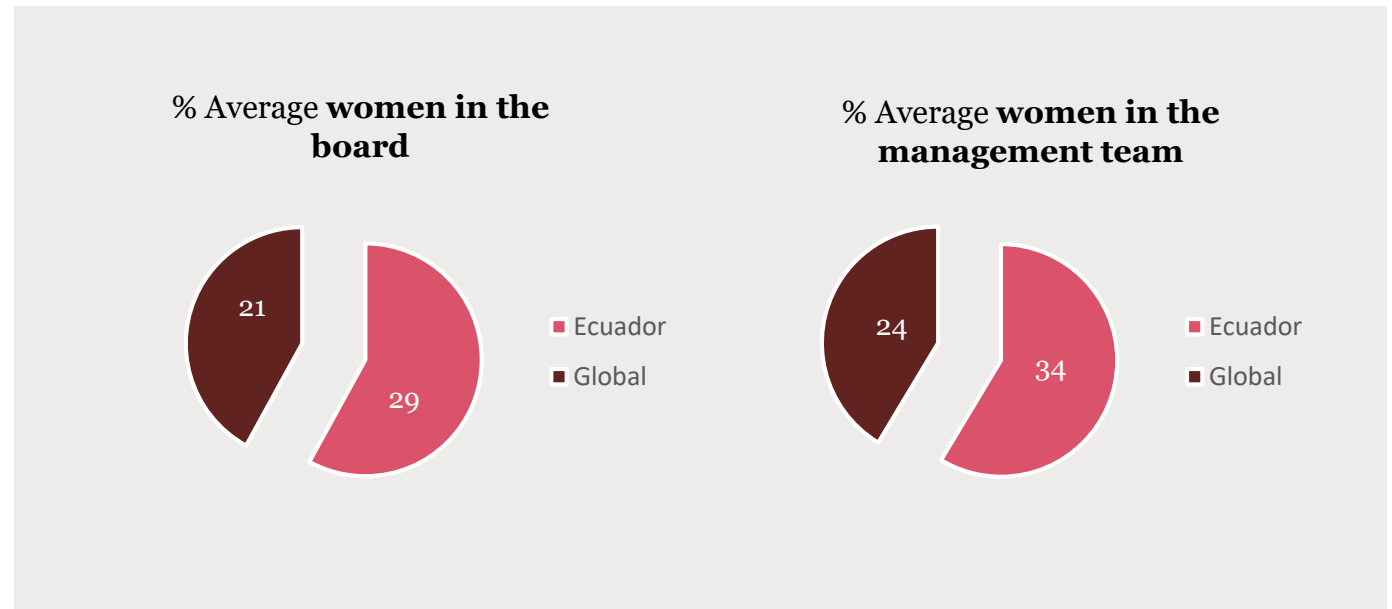
**“Go beyond financial sustainability and, above all, generate sources of employment and development for the community.”**

**“The same work model that we currently have. Continue like this and improve it. A model of transparency, control and discipline.”**



## Gender Equality

*“A third of the next generation that will be involved in business, are women.”*



Source: PwC Global Family Business Survey 2018

The average female participation in the Boards of the Ecuadorian companies is 29%, while 34% participate in the management team.

It is interesting to analyze the participation of women in family businesses, as well as the roles they fulfill in Ecuador. The answers obtained allow us to show that their participation in family businesses is greater than the global average. Ecuador has 29% of women

actively involved compared to 21% registered by the global survey.

In Ecuador, from the women who work in companies, 34% are part of the management team. In the world, this average is 10 points below, with a 24% share in the business administration.

The current cultural change opens new opportunities and presents great challenges for women within family businesses. With satisfaction, we see that in Ecuador talent has no gender, proof of this is that 33% of women

in the second generation are already working for their companies.

This average shown in the survey for the country is 10 points higher than that of the global level, where women of the second generation are incorporated in 23%.

***“The role of women in the company is increasingly important. Ecuador reports 29% of women actively involved compared to 21% registered by the survey globally.”***



## *Business development, path of the next generations*

**Alberto Peña  
Graiman**

Graiman started more than 55 years ago, currently three generations are involved. Alfredo Peña Calderón, spread "the dream of creating quality products with Ecuadorian raw materials and exporting them beyond regional borders".

Graiman Industrial Group created different companies over time and the ideas on which they were founded were "pioneers in chemical industrialization, metal-mechanics and then in products for construction finishes, always thinking about quality and design first."

As time went on, this vision made Graiman a solid and humane company that thinks about workers, respects dreams and contributes to the country with quality employment and well-being.

The company turned from a local group, into an international group. It began to export to the region and especially to the US, a market that quickly welcomed its products for its quality and design.

For Alfredo Peña Payró, the family is increasingly taking on a strategic and less operational role. "We are at the head of the company, my siblings are the advisors; María Cecilia (my wife) is an advisor in the marketing and image area; and I'm the CEO."

**Established  
1963**

**Current generation  
Second**

**Country  
Ecuador**

**Sector  
Construction**



***“My father-in-law did believe in me, he allowed me to develop the brand, got involved in strategic roles "since then he has been in charge of Marketing Management, working for the entire brand” – Cecilia Moscoso.***

Alfredo, acknowledges that the role of the women has changed, time ago the decision-making process was lead by a single generation, a single person; currently, three generations work together to conduct the family business.

***“I think it's important to recognize what family values are. “We cousins, embrace the responsibility, to care for the legacy of our grandfather, our parents, the jobs of 1700 people who depend on us. That encourages us to prepare ourselves, to be the best version we can be, to be ready to take over the responsibility in the future.” - Alejandra Peña***

For the Peña family, the intergenerational transition is a job that takes time. For them, the first generation stops having an active presence 15 years ago. "My father died 9 years ago. At that time the second generation assumed the leading role and direction of the company and today, the third generation is entering."

The company has a Family Assembly where protocols, succession plans, training for the next generation are approved, also what "the -third-generation must be aware of and fall in love with what we do" is established.

The company has a board comprised by members of the second generation and external directors, who are independent as they come from the outside world. This helps the family discuss business issues within the forum.

For the Group, having a common narrative is very important, especially having the right forum to listen to each other. The values of the company have come from within the organization and the family. Although they are not the same, they are alike.

It is worth mentioning that for the family and the organization, both, remain over time is the most important mission. For the Group, is long-term plan.

***“Learn from those who are already there, contribute from our generation, from our vision. They always listen to us "Yes, you have a position, but you have to earn it". I think the most important contribution of our generation is to prepare for the changes that all companies will face.” – Vanessa Peña***



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