Our analysis shows that these results are largely true across most regions, suggesting that this is indeed an almost global characteristic of family-owned companies.

- Second, we note that family-owned companies have more stable pay-out ratios than non-family-owned companies. This approach is not only smooth through the cycle, but also suggests that, in downturns, family-owned companies do not have to rely as much on external funds to support dividends, which also helps to reduce gearing volatility and increase the predictability of their financial returns.

Family-owned companies seem to lead in future developments

The focus of family-owned companies on balance sheet strength does not mean that they necessarily run their businesses for cash and under-invest for future growth. In fact, our data seems to suggest that the opposite is the case in several regions. For example, capex as a share of revenues has remained comparable in recent years (see Figure 6).

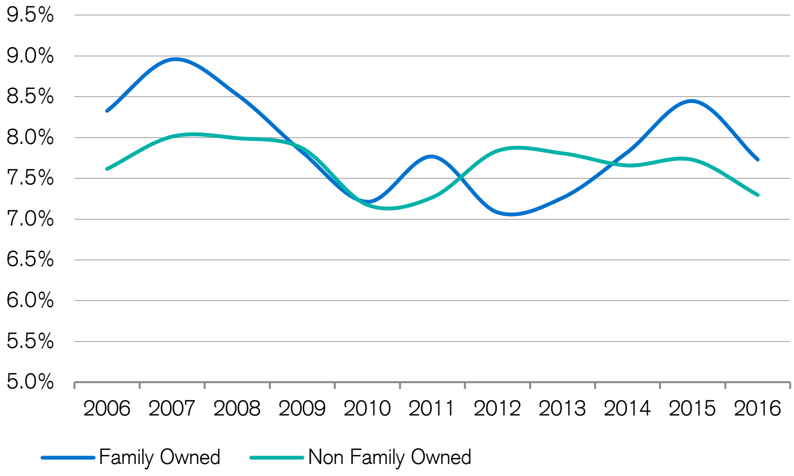
Research and development (R&D) data, however, suggest a greater focus on future growth by family-owned companies than by non-family-owned companies in Asia and the USA (see Figure 7). All else being equal, this should provide family-owned companies in these regions with a strong platform to sustain stronger revenue growth and balance sheets.

The other point worth highlighting is the rapid increase in R&D intensity of firms in Asia-ex Japan (see Figure 8). Until 2012, these firms spent less of their revenues on R&D than any other region. However, over the past four years, Asian firms have almost tripled their spending intensity on R&D, which means that they now spend almost as much as Japanese family-owned firms.

If there is one area where family-owned companies tend to under-invest in R&D relative to non-family-owned companies, it is Europe. It is the only region where for each of the past ten years family-owned companies have spent less of revenues on R&D than their non-family-owned peers.

Figure 6

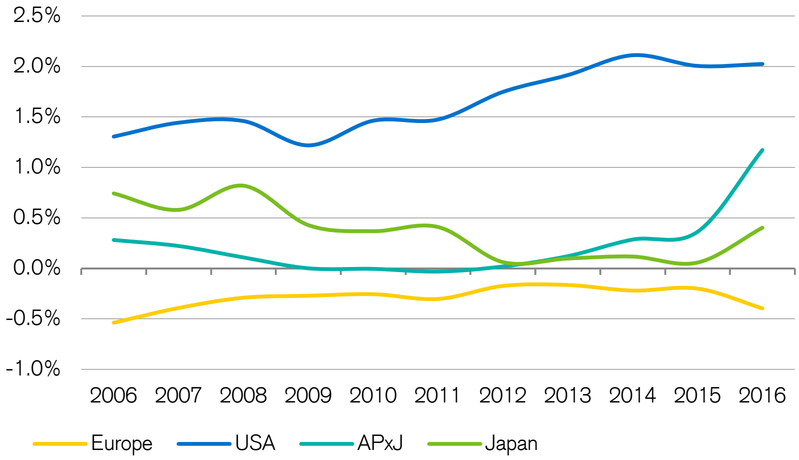
Capex as a % of revenues: Family-owned companies did not underinvest



Source: Credit Suisse, Thomson Reuters Datastream

Figure 7

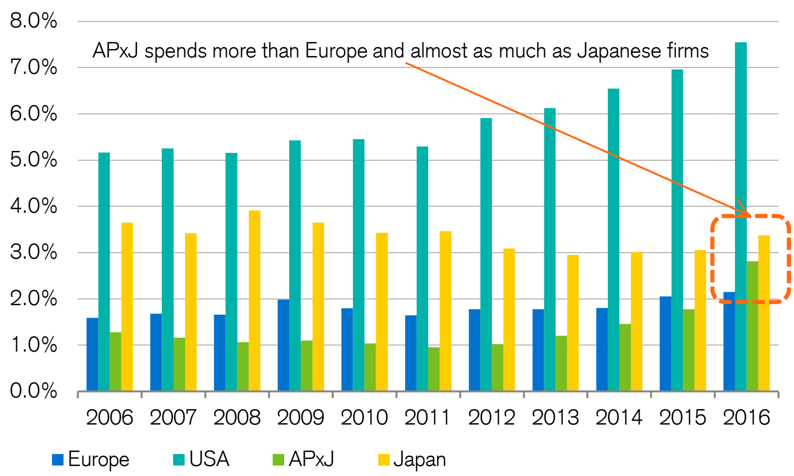
R&D spending as a % of sales: Difference between family-owned divided and non-family-owned



Source: Credit Suisse, Thomson Reuters Datastream

Figure 8

R&D spending as a % of sales by region



Source: Credit Suisse, Thomson Reuters Datastream