

Private Enterprise Series Family businesses and sustainability: leading the way

Family businesses have emerged as global leaders in sustainability, tapping into their unique characteristics and principles of shared value.

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Sustainability has emerged as an imperative for organisations of all kinds, not just for environmental stewardship but for business success. Those that fail to adapt and adopt this imperative are destined to struggle in the new low-carbon environment. In this push towards greater sustainability, family businesses have emerged as early movers and leaders.

Conversations with family business leaders, performance data and responses from a wide-ranging survey of more than 2,439 family businesses in 70 countries and territories by KPMG Private Enterprise and the STEP Project Global Consortium point to the clear benefits of focusing on sustainability. These benefits are outlined in KPMG Private Enterprise's latest report: "[A road well-traveled: How family businesses are guiding the sustainability journey](#)". Broad in its scope, the report shows how a focus on sustainability helps family businesses strengthen their reputation and operations, attract top talent and generate new business.

Mainstreaming stakeholder capitalism

Family businesses have a head start in the path towards sustainability because principles of shared value are often woven into their values and business strategies. As a result, family businesses are uniquely positioned to take a leadership role in guiding others on their sustainability journeys.

Multiple trends are converging to make the push towards sustainability increasingly urgent. First, the COVID-19 pandemic made sustainability more relevant to just about everyone. Second, organisations are increasingly challenged to consider their impact on the world – and to report on this impact. Third, stakeholder capitalism is on the rise, taking over much of the space once occupied by shareholder capitalism and creating a more comprehensive ecosystem with governments stepping up the pressure on organisations to take climate-smart measures and customers looking for businesses with positive societal and environmental impact. Lastly, the push towards sustainability is creating new ways to innovate and compete. Notably, market and regulatory calls to improve performance and reporting of environmental, social and governance (ESG) issues are also supporting efforts to improve sustainability.



A focus on sustainability generates myriad benefits for family businesses. Among others, it helps attract and retain customers, reduces costs and mitigates risks. Forty-three percent of respondents to KPMG's survey reported high levels of performance on a sustainability index that measures the sustainability of businesses across environmental and social factors. This reflects a multi-generational commitment to creating value for all stakeholders and has seen many family businesses emerge as sustainability leaders.

While all these changes are visible in most markets. In China, a focus on sustainability is increasingly part of the basic make-up of family businesses. This focus is driven by a combination of factors that include government policy and regulation, the increasingly important role of ESG in family business strategies, and efforts by family business leaders to make sustainability a key component of the make-up of their business.

An integrated multi-dimensional business model

In the family business model, sustainability is a two-sided coin. The business strategy concentrates on decisions that have been made in the past to maintain the company's competitiveness today, while the sustainability strategy is focused on decisions that are being made today for the company's future competitiveness.

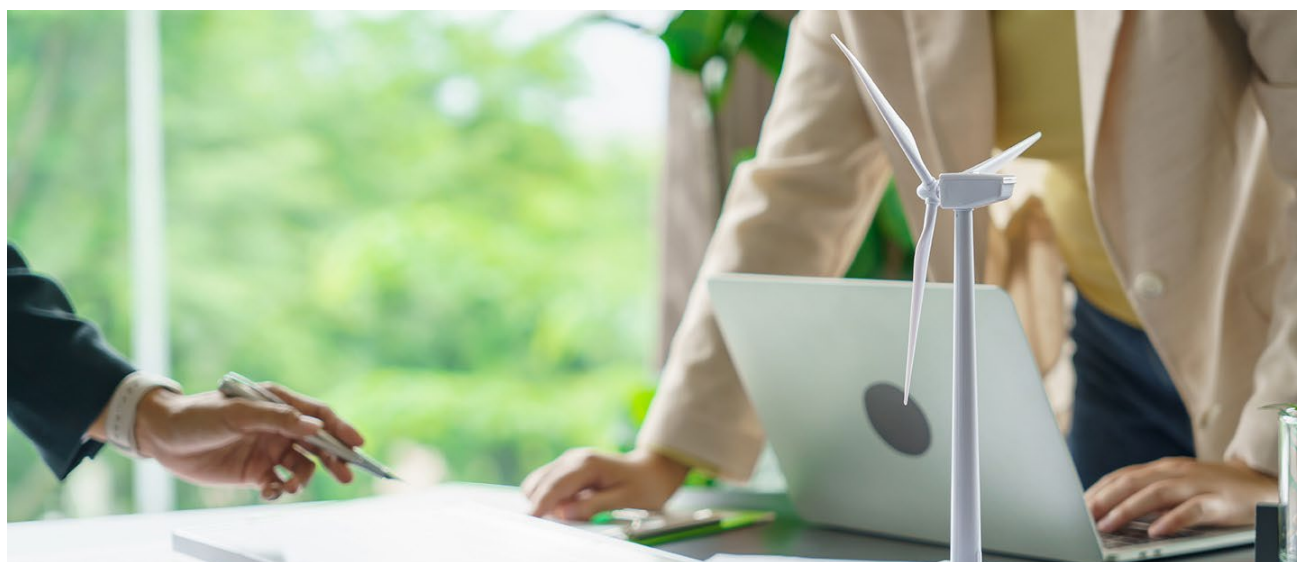
The main purpose of family business sustainability is to strategically develop a business model that answers the question: *What are we going to do today to develop a better tomorrow?*

And it's the responsibility of family business leaders to establish the practices, processes and structures for synchronizing their business and sustainability strategies in order to connect the past and the present with the future.



China's path towards sustainability is clearly charted in the 14th Five Year Plan (2021-2025). In recent years, Chinese family businesses have stepped up their efforts to improve their sustainability performance and integrate ESG into their business development strategies, not only for supporting the country's 'dual carbon' goals, but also maintaining their leading edge while tapping into the potential value and resilience of their businesses in an increasingly competitive environment. ”

Karmen Yeung, KPMG China National Head of Private Enterprise



First-mover advantage

Family businesses enjoy first-mover advantage in regards to sustainability. With a commitment to creating value for future generations that is often deep rooted, they have long operated with a focus on preserving the health and resilience of their business and the world. Many family businesses consider sustainability as not only “the right thing to do”, but as a crucial driver of growth, often with future generations in mind. As a result, sustainability is deeply embedded into their values and business models. Sustainability has become a crucial part of family legacies as well as a driver of continuous innovation, transformational change and growth.

As sustainability gains momentum globally, family businesses that tap into multigenerational perspectives and integrate sustainability into their core operations can position themselves as frontrunners in a new, low-carbon world.



Over the past year, we have seen a multi-generational commitment to creating value for all stakeholders as one of the underlying reasons enabling many family businesses to excel as sustainability leaders, reflecting an important shift in mindset away from considering sustainability measures as an additional cost of business, but an essential investment in the future. ”

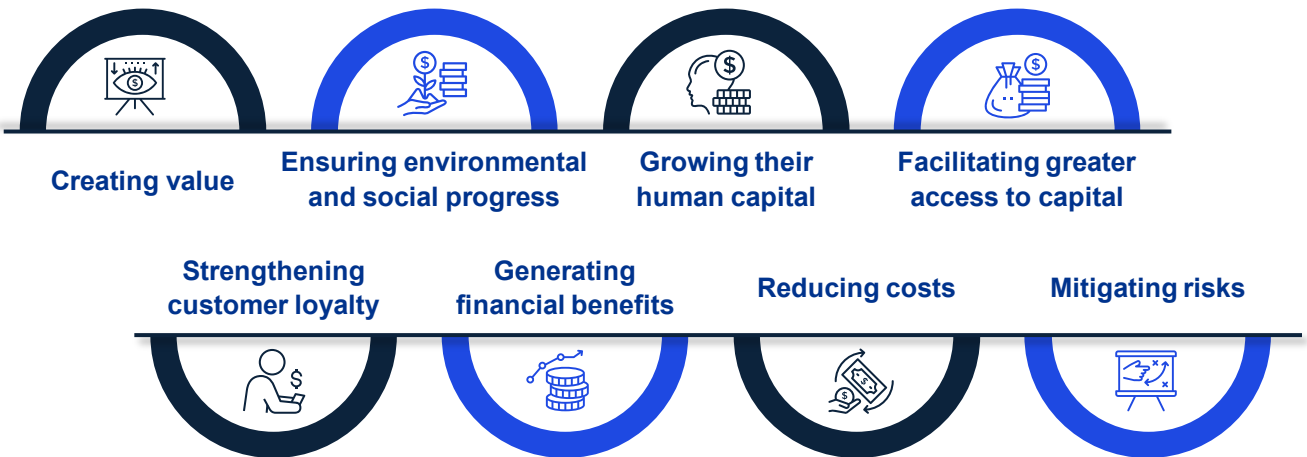
Wei Lin, Head of Environmental, Social and Governance, KPMG China



Family businesses in the Chinese Mainland are placing an increasing value on their environmental, social and governance (ESG) profiles. Companies that are able to anticipate and meet rising environmental and societal expectations are also more likely to improve their reputations, attract and retain top talent and generate new business opportunities. Sustainability is now a business imperative, as much as it is a stewardship one, and the companies that fail to adapt may struggle to compete in a new, low-carbon world. ”

Pat Woo, Head of Environment, Social and Governance, Hong Kong, KPMG China

Family businesses are turning sustainability into “business as usual”, aware of the multiple benefits this can generate, including:



While the specific paths towards greater sustainability may vary among family business, most share an urgency to integrate sustainability into their core operations to strengthen their reputations and enhance operational efficiency. There is a major shift underway towards adopting more strategic approaches that integrate sustainability objectives in long-term business strategies. Rather than considering sustainability as a cost, more family businesses are looking at it as an essential investment.



By carefully revisiting and evolving their values, family businesses can attract the right talent, enhance employee engagement, build stronger relationships with customers and suppliers, and position themselves for long-term sustainable growth. ”

Koko Tang, Head of Private Enterprise, Southern China, KPMG China





The sustainability agenda is deeply aligned with the values of purpose-driven family businesses. We call on business-owning families, their firms and the wider family business ecosystem to adopt a more purpose driven business model, thereby contributing to global sustainable development, inclusive growth and prosperity for all. ”

Peter Lee, Partner, Private Enterprise – Family Advisory, Hong Kong, KPMG China

Eight keys to sustainability performance

There are three interconnected goals behind the push towards greater sustainability, including ensuring economic sustainability, adopting responsible operating practices and supporting social and environmental initiatives outside the business. Research and interviews by KPMG suggest eight keys to success in efforts to move towards greater sustainability and accomplishing these goals.



Highly-structured governance: Business governance ensures efficient processes and control, while parallel family governance fosters communication and defines shared goals.



Active non-family member involvement: Diverse views make it easier to recognise emerging trends and tap into opportunities. Including family and non-family members in decisions contributes to sustainability and digital transformation.



Dispersed family ownership: Companies with family ownership concentration above 76 percent tend to rate lower in terms of sustainability.



More female board members: Family businesses with more women on their boards report positive economic, environmental and social outcomes.



Digitalisation: Incorporating digital solutions into sustainability strategies enhances efficiency, reduces costs and fosters innovation, optimises resource consumption, increases transparency and ensures accountability.



Charismatic or transformational leadership: Family businesses led by charismatic and transformational leaders excel in sustainability and digitalisation. These leaders tend to inspire staff to surpass expectations, foster a more sustainable world, help the businesses achieve financial success, advance social and environmental causes, and strengthen family loyalty.



Strong entrepreneurial mindsets: An entrepreneurial mindset can drive family businesses to prioritise holistic performance, encompassing economic, environmental and societal impact objectives. Such a mindset can provide a competitive advantage, enabling the business to identify and leverage new opportunities, overcome challenges, innovate and effect transformative change.



Forward-looking orientation allows family businesses to leverage their capital for long-term sustainability investments. Family businesses with a forward-looking vision are more willing to support the cost of sustainability investments.



New business imperative

Family businesses have emerged as key ambassadors for sustainability. They can demonstrate how to embed leading practices, create shared value, gain a competitive advantage and achieve long-term growth.

Family businesses are taking a variety of paths to sustainability, aware that the road is hardly ever a straight line, nor is it devoid of challenges. The successes family businesses experience along their way to sustainability are an invaluable resource full of practical insights for all kinds of organisations embarking upon their own sustainability journeys.

The ultimate conclusion is clear. Sustainability is no longer a choice, it is a business imperative, and family businesses are uniquely positioned to take a leadership role in guiding others on their sustainability journeys.



We are sharing expertise and best practices derived from KPMG's strong global network of investment and development stakeholders and offering the family business community an international platform to facilitate their contributions to sustainable development. ”

Edward Yu, Head of Private Enterprise, Eastern and Western China, KPMG China



View the full report here:

[A road well-traveled: How family businesses are guiding the sustainability journey](#)



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