

The regenerative power of family businesses:

Transgenerational entrepreneurship

Global family business report

.....
Country benchmarking data — Germany
.....

March 2022

The background features a dark blue field with numerous concentric circles of varying radii and colors, including teal, purple, and light blue. Some circles are solid, while others are composed of small dots. A large teal circle is positioned on the left side, containing the main text and a large opening quotation mark.

“

Family businesses
are developing
new capabilities to
continuously create
value and maintain
a sustainable
competitive advantage
from generation to
generation.”

INTRODUCTION

Country benchmarking data — Germany

Many family businesses are continuing to successfully navigate the challenges of the pandemic, while also embracing new challenges and opportunities to take their businesses in bold new directions. They are keeping their founder's entrepreneurial spirit alive. And they are developing new capabilities to continuously create value and maintain a sustainable competitive advantage from generation to generation.

The STEP Project Global Consortium and KPMG Private Enterprise came together to explore the reasons behind this “regenerative superpower” of family businesses, with data collected from 2,439 family business leaders in an in-depth survey conducted in 70 countries between September and November 2021.

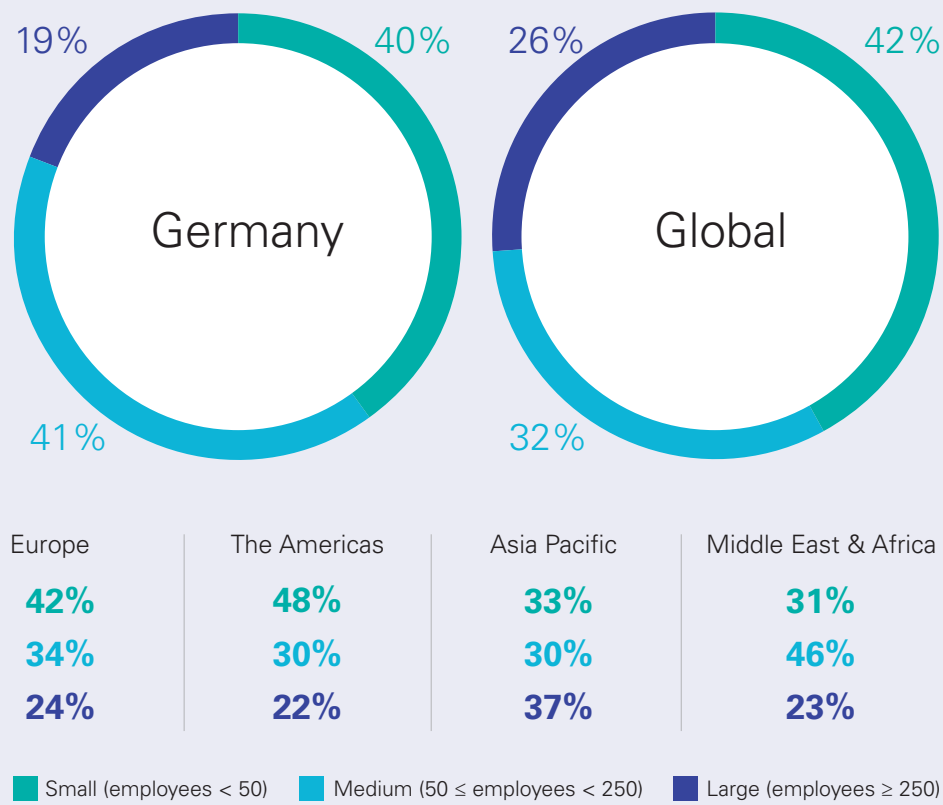
In this country benchmarking report, we highlight important characteristics of family businesses such as their

entrepreneurial capabilities and the family's identification and emotional attachment to the business, which contribute to their financial, social and family performance. This report makes it possible for you to compare your family business characteristics with others in your own country and or jurisdiction as well as those across Europe, the Americas, Asia Pacific and Middle East & Africa.

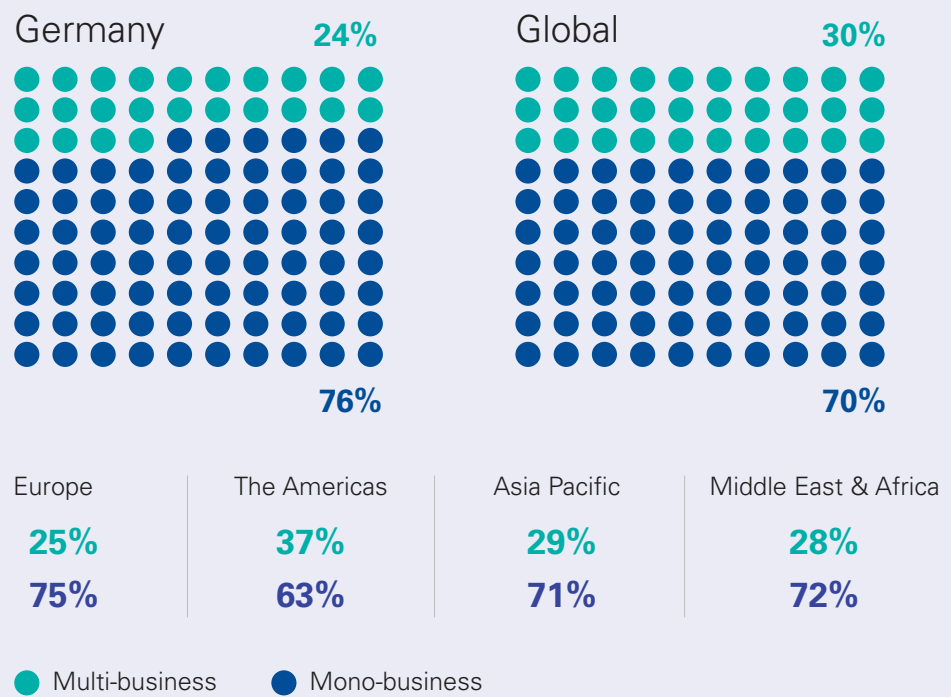
By comparing your business with others in your country and around the world, you have the opportunity to identify areas for improvement as well as those areas where you may already have a competitive advantage to sustain.

Please be advised that this benchmarking report should not be read in isolation to the global family business report *The regenerative power of family businesses: Transgenerational entrepreneurship*.

What is the size of your business?

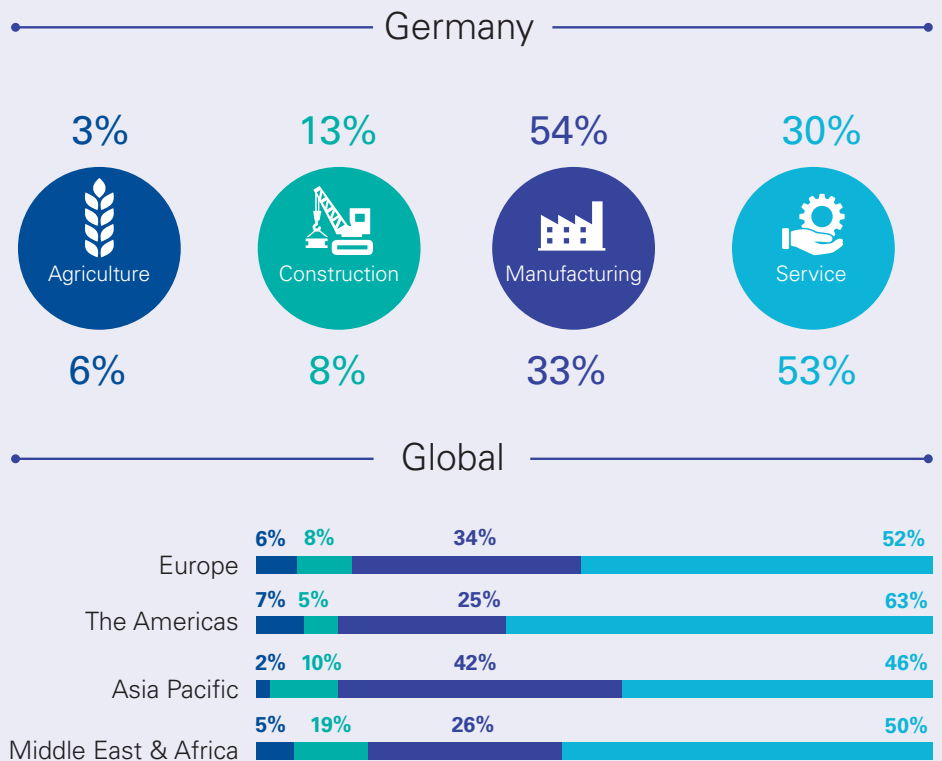


How many businesses do you operate?

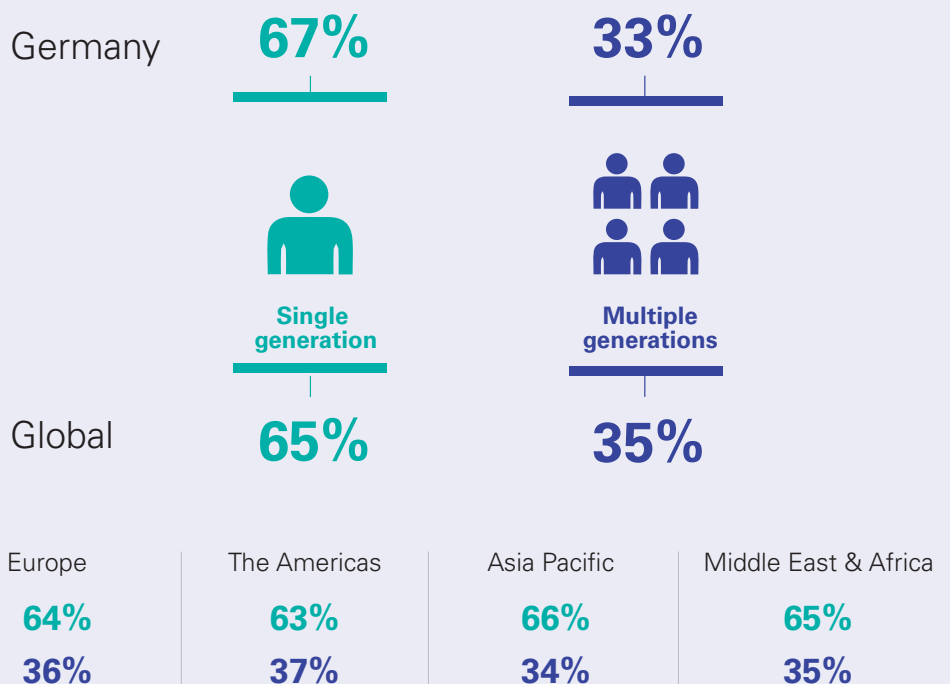


Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022:
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What is the main industry of your business?

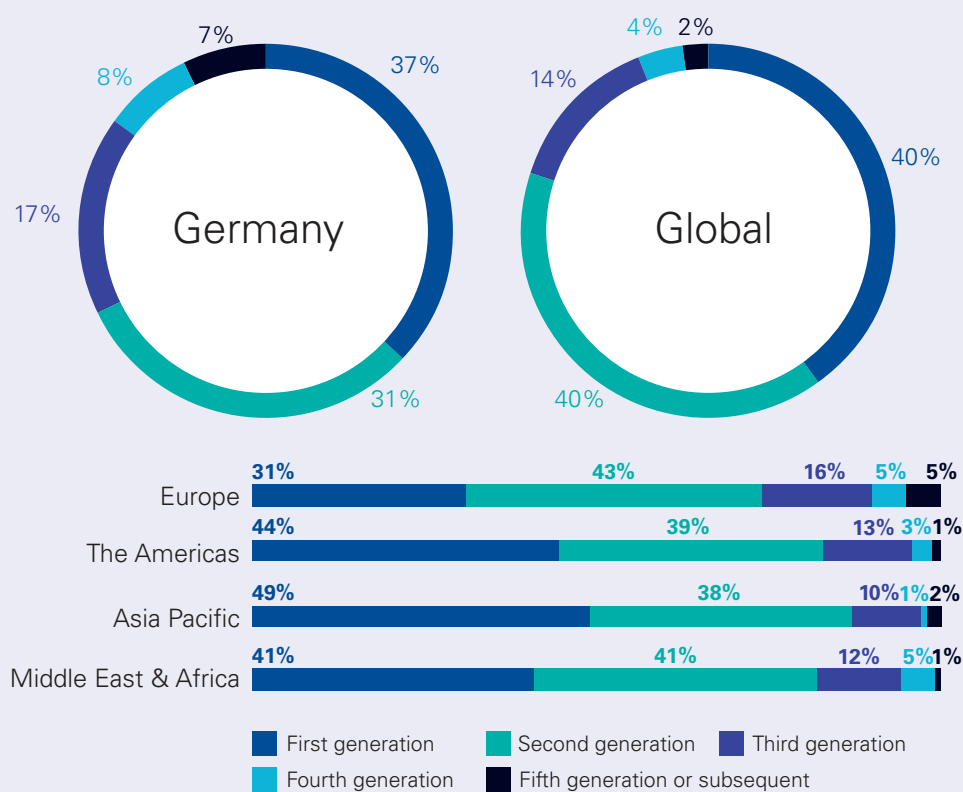


How many generations are currently active in the business?

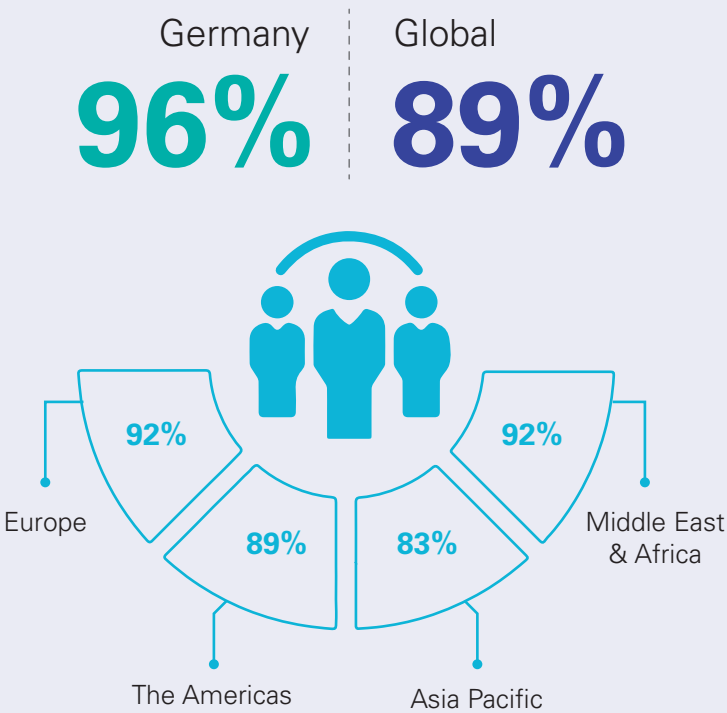


Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022:
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What generation is currently managing the business?

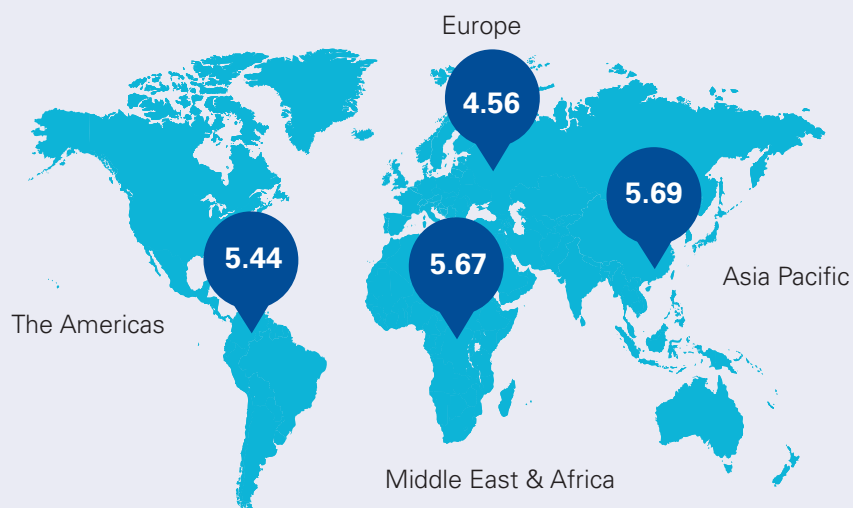


What percentage of the company shares are owned by the family?

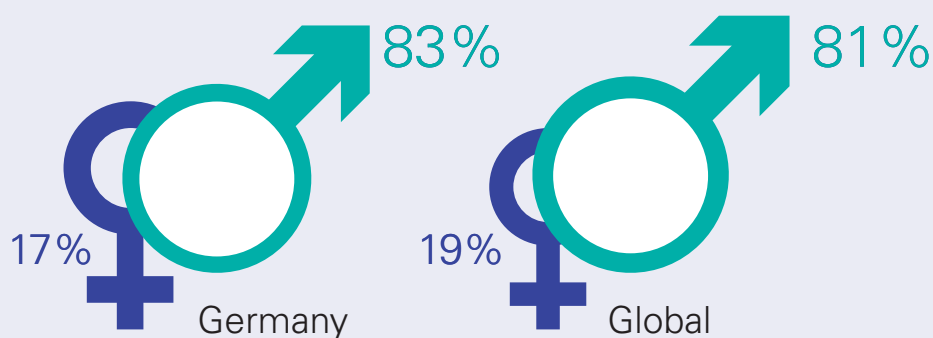


Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022:
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How many individuals in the family (on average) own shares?



What is the gender of the current CEO?



Europe	The Americas	Asia Pacific	Middle East & Africa
82%	75%	86%	84%
18%	25%	14%	16%

Male Female

Note: All survey respondents opted to identify themselves as male or female.

Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022:
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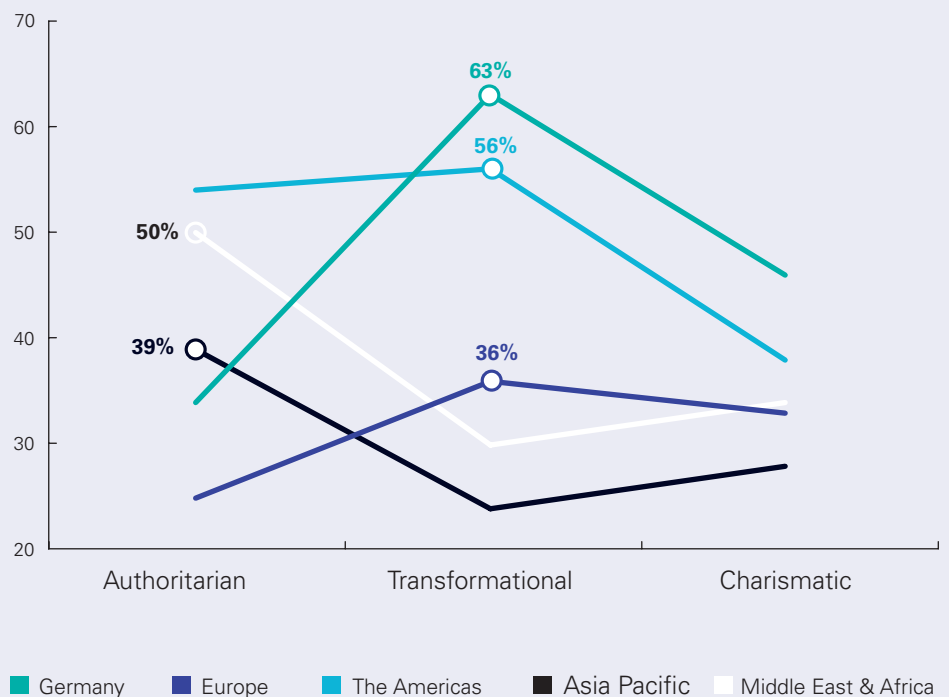
Preferred leadership styles

Leaders have a direct influence on the prevailing culture and strategies of family businesses. No leader has only one style of leading, and it changes depending on the age and stage of the business and the economic, social and business environment.

Three leadership styles and their prevalence in family businesses are highlighted below:

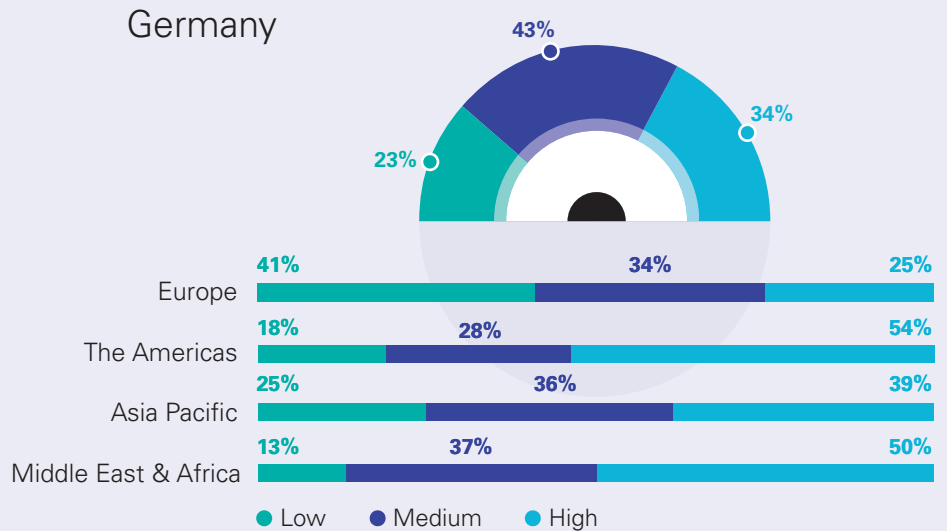
- **Authoritarian** — paternalistic and reflected in powerful authority, consideration for subordinates and moral leadership
- **Transformational** — the ability to transform or change the basic values, beliefs and attitudes of followers so they are willing to perform beyond expectations
- **Charismatic** — the ability to motivate and inspire followers who show trust in the leader, a sense of collective identity and empowerment.

What is the prevalent leadership style in your family businesses?

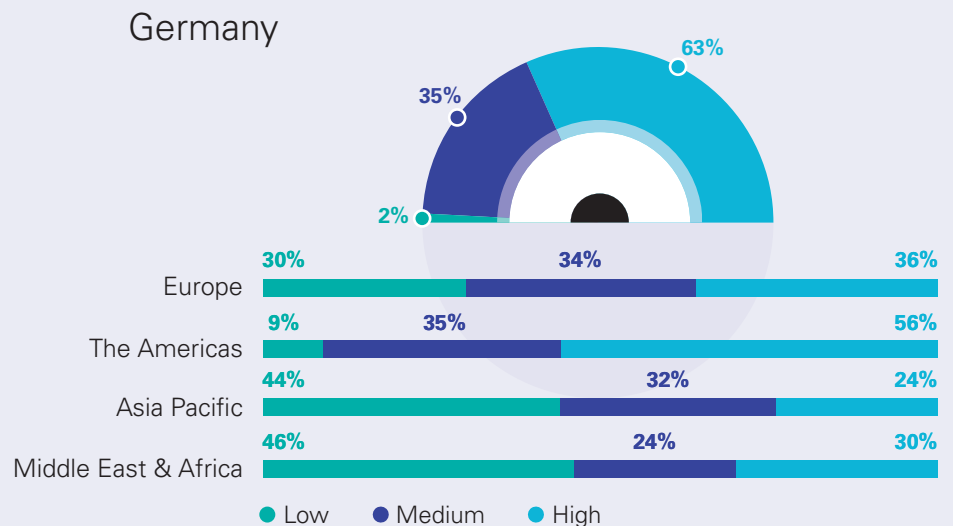


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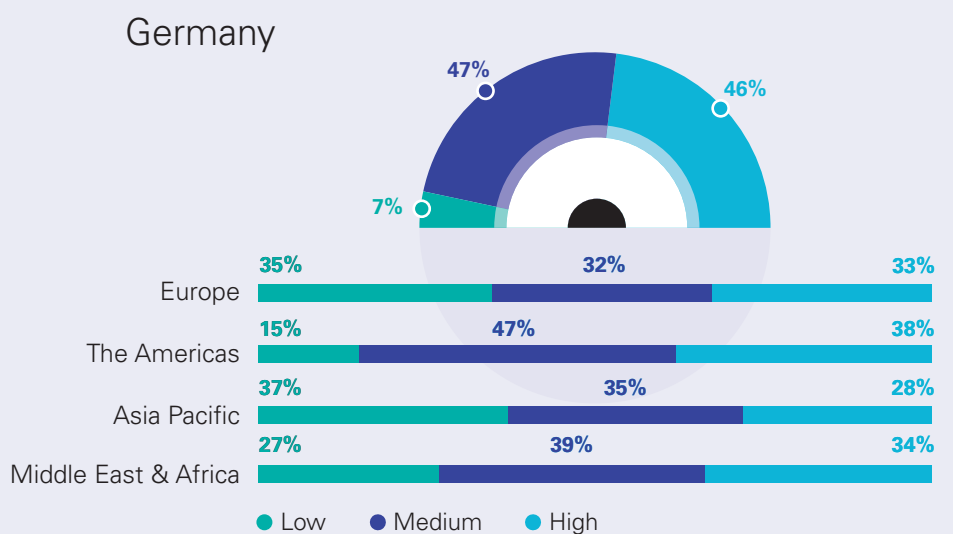
How prevalent is the **authoritarian** leadership style in your family business?



How prevalent is the **transformational** leadership style in your family business?



How prevalent is the **charismatic** leadership style in your family business?



Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022:
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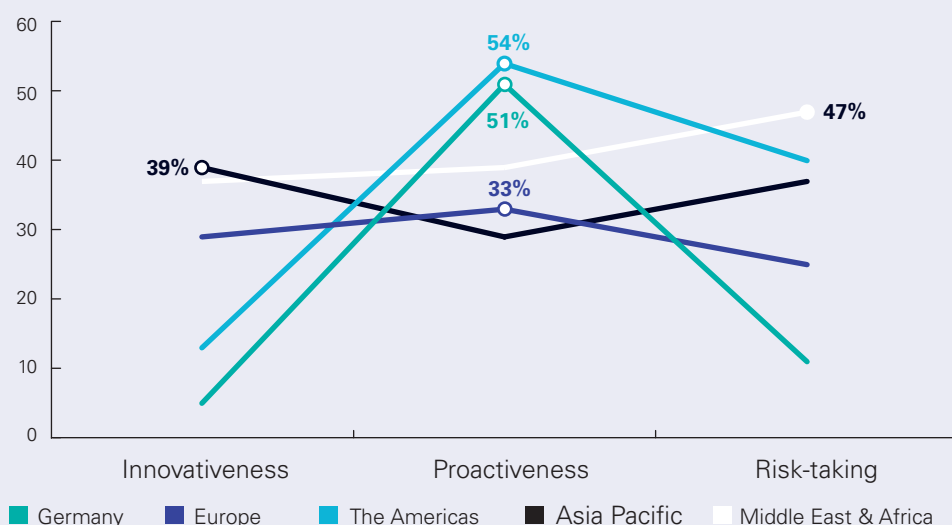
The entrepreneurial capability of family businesses

Continuous entrepreneurialism is a source of sustained competitive advantage in family businesses because it is built on two factors that are difficult to imitate: the capabilities and resources of the family itself and the company's entrepreneurial heritage. Entrepreneurial orientation has three main dimensions:

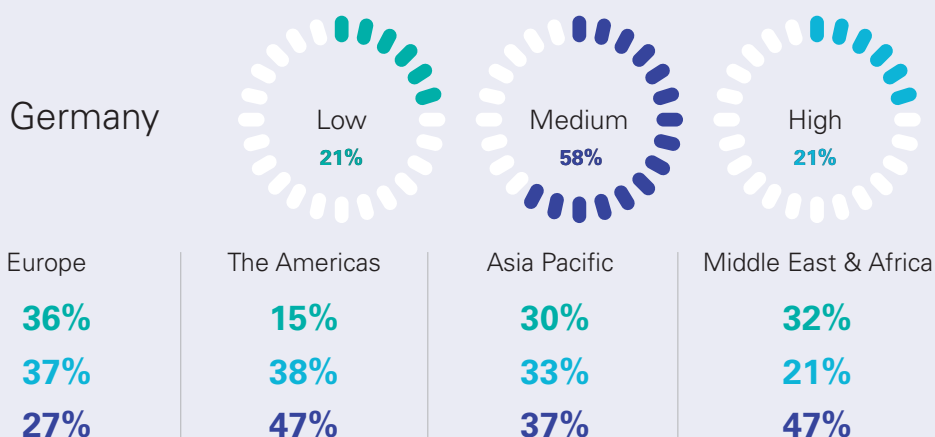
- **Innovativeness** — the propensity to invest in the research and development of new products and services and operating practices
- **Proactiveness** — the ability to seize new opportunities, anticipate future market demand and shape the competitive environment expectations
- **Risk taking** — the company's propensity to take large risks that may also have high potential returns.

Overall levels of entrepreneurialism and in each of the three dimensions are highlighted below.

Entrepreneurial orientation dimensions



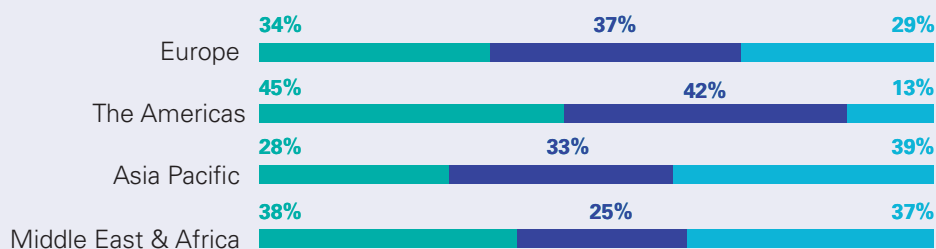
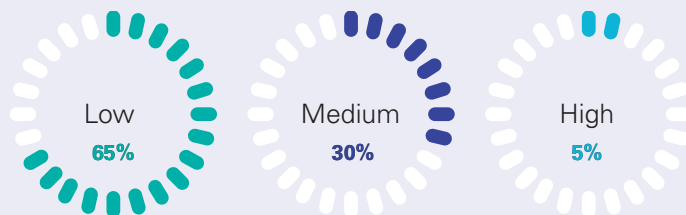
What is the overall level of **entrepreneurial orientation** in your family business?



Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022:
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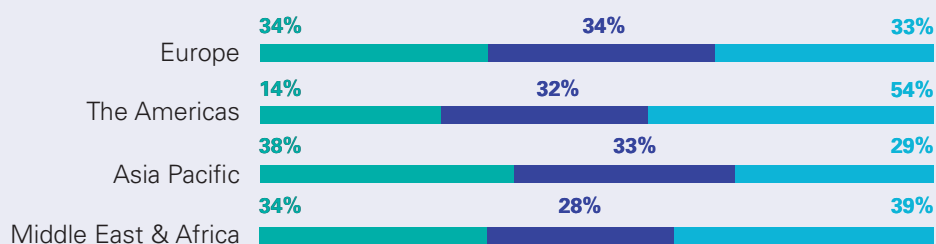
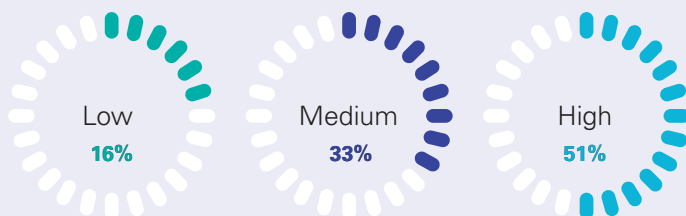
What is the level of **innovativeness** in your family business?

Germany



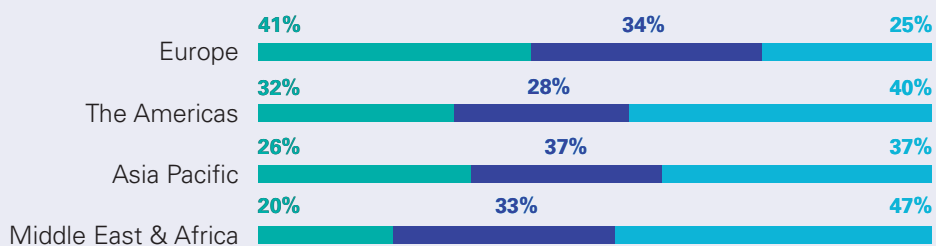
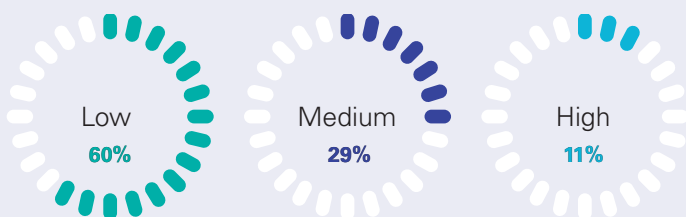
What is the level of **proactiveness** in your family business?

Germany



What is the level of **risk taking** in your family business?

Germany



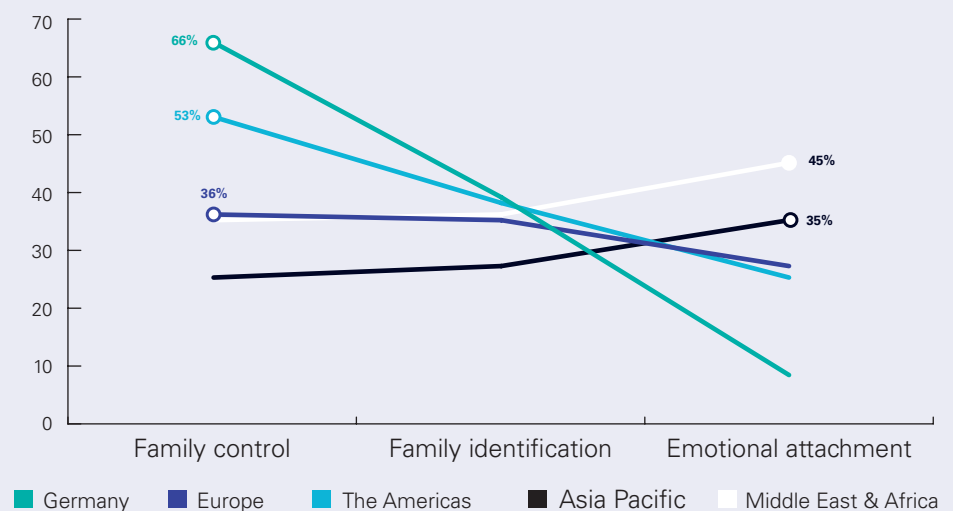
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Family control and influence

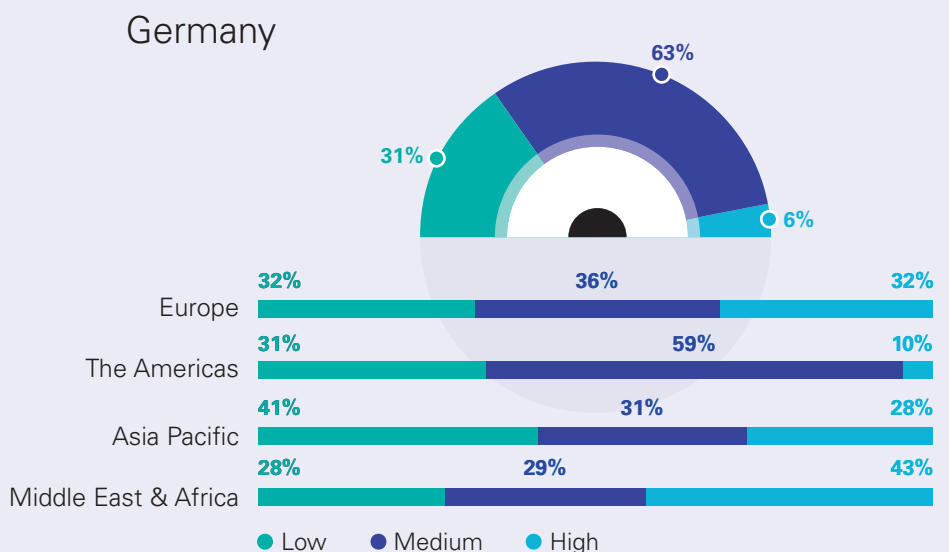
A second important factor for sustaining continuous entrepreneurship is the family's "socioemotional wealth" — the emotional value that the family derive from owning and managing the business.

Socioemotional wealth reflects the unique ways in which families look at problems and how their actions might be affected by three important characteristics: the family's **control and influence**, their **identification** with the family business and their **emotional attachment**.

Socioemotional wealth dimensions

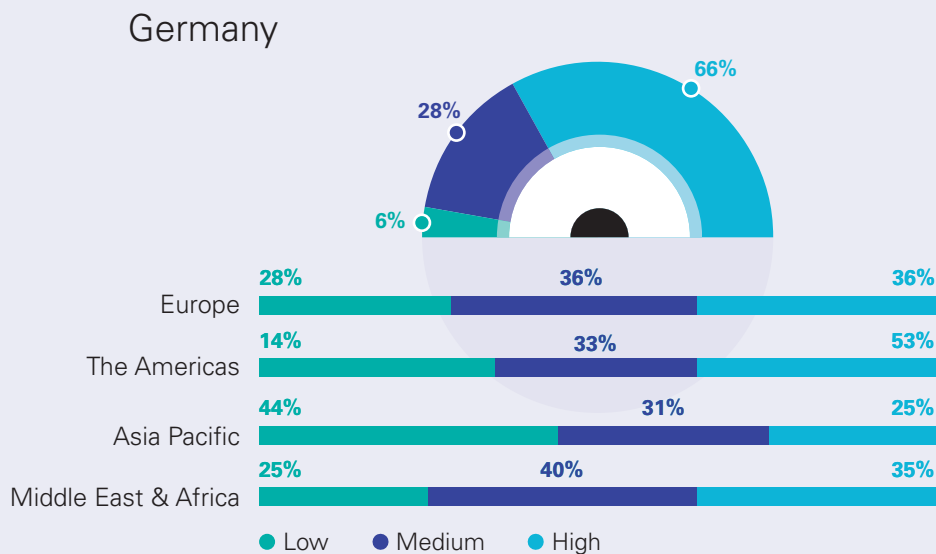


What is the overall level of **socioemotional wealth** in your family business?

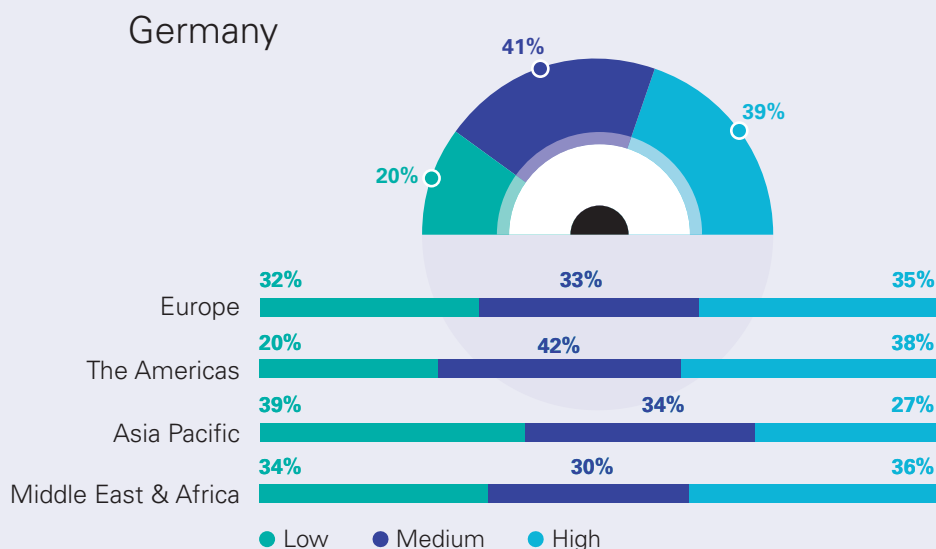


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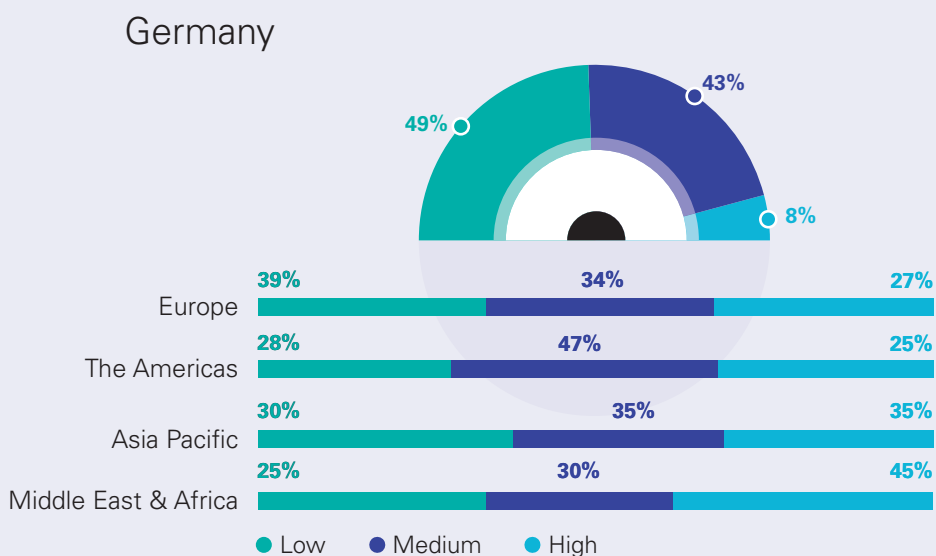
What is the level of family **control and influence** in your business?



What is the level of your family's **identification** with the business?



What is the level of your family's **emotional attachment** to the business?

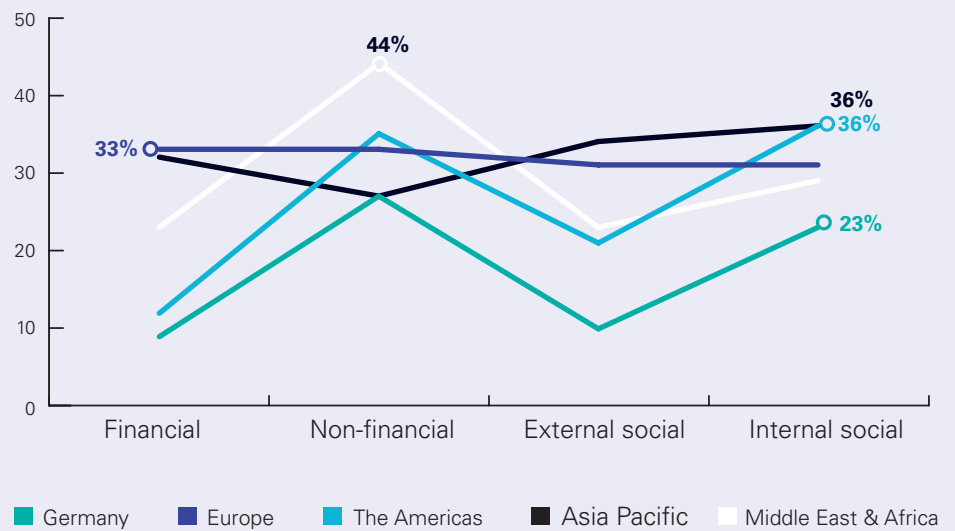


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Measures of success

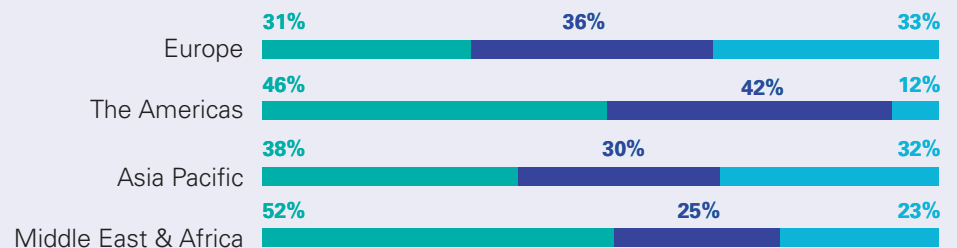
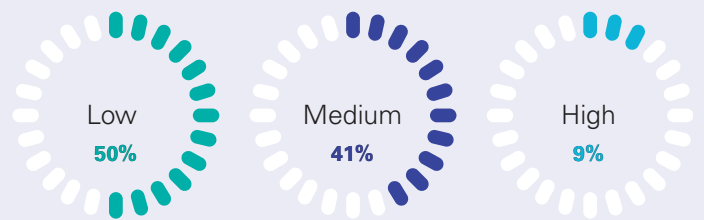
Strong financial results are important for the sustainability of family businesses. However, maintaining the founder's vision, a culture of entrepreneurialism and a reputation as responsible owners are equally important measures that are captured in four areas of performance: **non-financial** (family loyalty and support), **internal social** (such as innovative/diverse hiring practices); **external social** (such as environmental impact); as well as **financial** results.

Performance dimensions



What is the level of **financial performance** in your business?

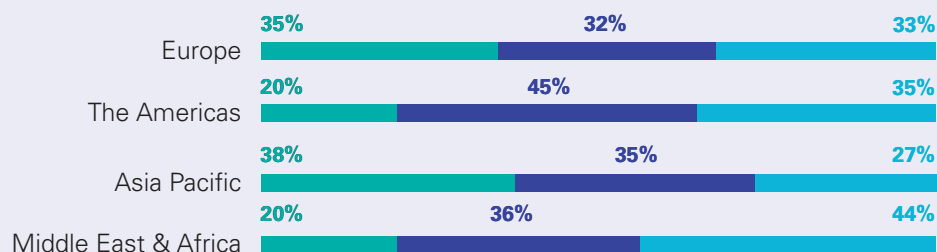
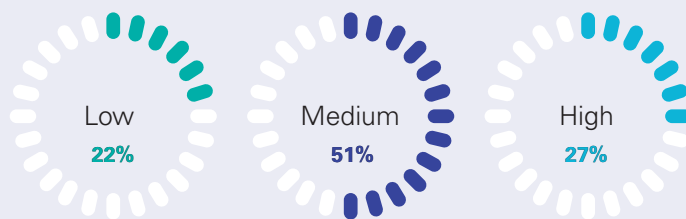
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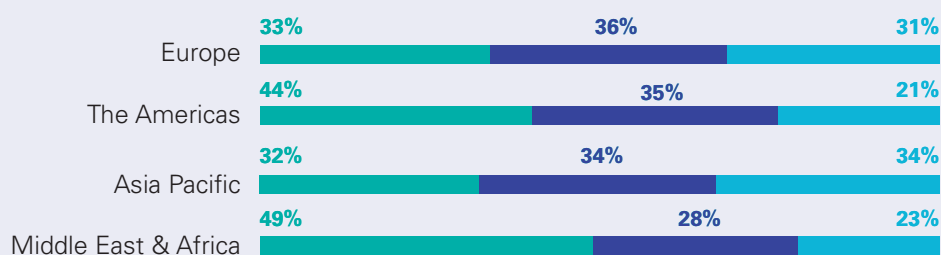
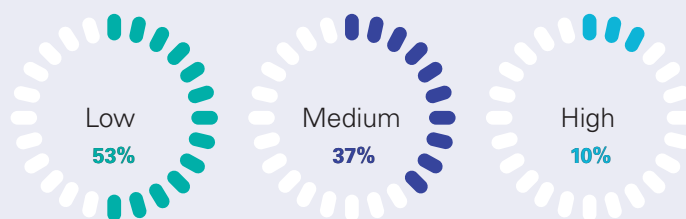
What is the level of **non-financial performance** in your business?

Germany



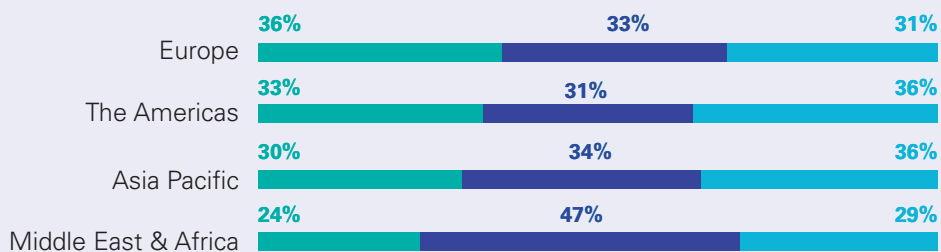
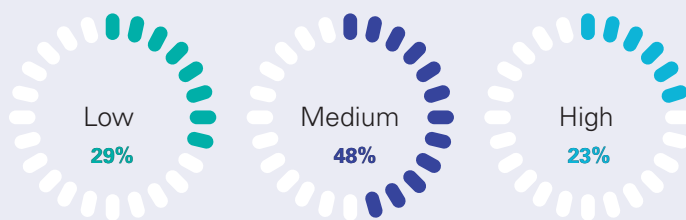
What is the level of **external social performance** in your business?

Germany



What is the level of **internal social performance** in your business?

Germany

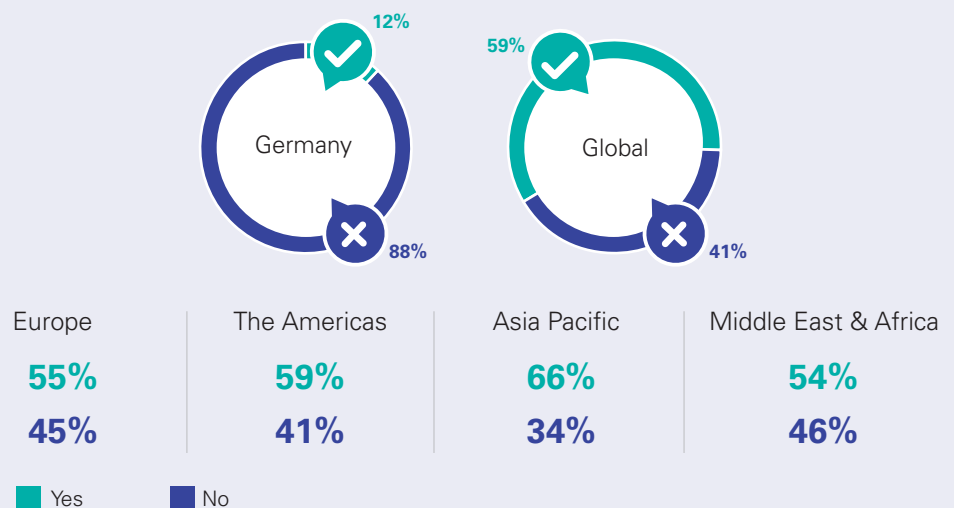


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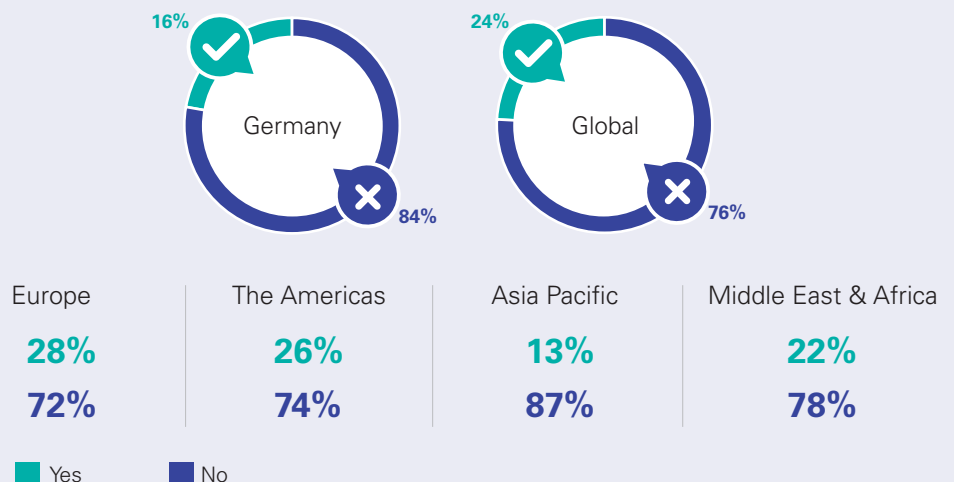
Supporting entrepreneurial capabilities through good governance

Good governance can enhance the entrepreneurial orientation of family businesses by providing the checks and balances needed to exploit new opportunities, while also recognizing and managing potential risks.

Does your family business have a formal board of directors?



Does your family business have a family council?



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