

Unlocking legacy — The path to superior growth in family businesses

Balancing tradition and change
for enduring success

Executive summary

kpmg.co.nz/enterprise

www.spgcfb.org

KPMG
Private Enterprise

 **STEP PROJECT**
GLOBAL CONSORTIUM
FOR FAMILY ENTERPRISING

Introduction

How can family businesses balance tradition with innovation and create a legacy and a successful business that spans generations?

To explore the essence of family business legacies in today's contemporary environment, the STEP Project Global Consortium and KPMG Private Enterprise conducted a comprehensive survey of family business leaders across the world. Four regional roundtable discussions were held with family business leaders and, in some cases, next-generation family members, following a detailed analysis of the survey results.

The insights gathered from the survey and discussions demonstrate the important link between legacies and long-term business performance, which can help to guide other family businesses who want to keep their legacies on a future-forward path.

All of the charts throughout this report contain data derived from the 2024 STEP Project Global Consortium and KPMG Private Enterprise Global Family Business Survey.

Key insights



Legacies contribute to families' socioemotional wealth

Deep connections to the family's history fosters a sense of pride and dedication to the business and is a key ingredient in family members' socioemotional wealth.



Legacies connect the present and the future

Legacy not only creates bonds between generations, it also shapes the vision and strategic decisions for the future that foster sustainable business performance.



Legacies can be essential for future-oriented, long-term growth

Family business legacies are building blocks that will help to shape the future for generations to come.



Legacy and transgenerational entrepreneurship can have an impact on performance

Family businesses that report high financial performance and sustainability practices also tend to have strong legacy and transgenerational entrepreneurship scores.



The family's accumulated wisdom can be a priceless asset

The knowledge, expertise and skills passed from generation to generation can help give family businesses a unique competitive edge.



The family's legacy influences important decisions

The shared purpose and values of the family act as a compass for guiding decisions that may affect the family, the business, customers, employees, suppliers and local communities.



Adhering to tradition and embracing innovation

One of the most common challenges facing family businesses is the need to balance tradition and change to adapt to changing market dynamics and business conditions.



It's important to recognize and confront the legacy paradox

Legacy is a source of identity and inspiration, but it can also be a liability if it is so entrenched in tradition that it stands in the way of innovation, change and agility.



A new way for family businesses to assess the strength of their legacies and transgenerational entrepreneurship

The introduction of a new legacy matrix helps family businesses identify themselves in one of four legacy types based on their transgenerational entrepreneurship and legacy scores.

Survey highlights

Survey respondents

2,683

Family business leaders



Representing

80

countries,
territories
and regions

Family business size (# employees)

Under 50

45%

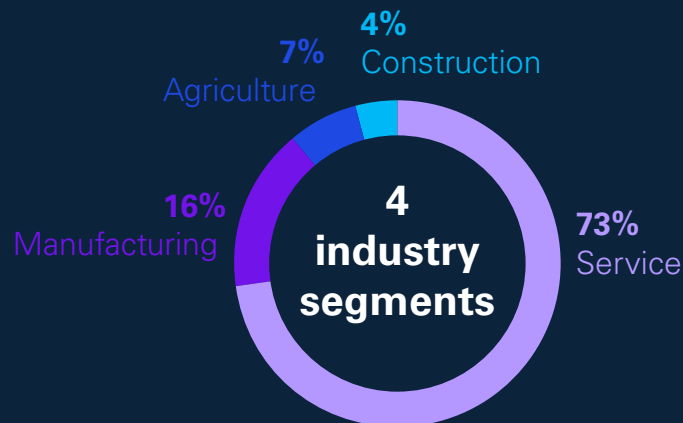
50–250

28%

Over 250

27%

4 industry segments



Legacy components explored



Material

artifacts such as family heirlooms, land, money and sentimental objects¹



Biological

the family's bloodline, name and genes²



Identity

values, attitudes and beliefs that are shared through family stories and rituals³



Social

maintaining a positive standing in the community⁴

¹ Hunter, 2007; Zacher et al.; Zellweger et al., 2012

² Zacher, Rosing, & Frese, 2011

³ Hunter & Rowles, 2005

⁴ Blumentritt, Keyt & Astrachan, 2007



The drive for **sustainable business practices and financial results**

Legacies are both tangible and intangible assets that can lead to strong financial results and sustainability performance. They also help to reinforce the emotional bond that's a source of the family's identity, inspiration and innovation.

By exploring the essence of legacy and its impact on business performance, the detailed data analysis, academic insights and firsthand experiences of family business CEOs contribute to a deeper understanding of the importance of balancing tradition and innovation for long-term success in family businesses.

Four legacy components (material, biological, social, identity) were explored in the survey results. The importance of entrepreneurial legacies emerged from the roundtable discussions and were added as a fifth legacy component. All five components can have an impact on family business results. Family businesses that reported strong legacy scores, for example, also reported high business performance and sustainability results, which were enabled by persistent multi-generational entrepreneurialism.

We also found that the highest-performing businesses tend to have the strongest legacy scores, which suggests there is a compelling link between the depth of the legacy of a family business, its financial performance and the strength of its sustainability practices.

This has reinforced our view that legacies cannot be viewed merely through a lens of the past, but as essential ingredients for future-oriented, sustainable growth. The full impact of legacy underscores its significance in helping to shape the future success of both the business and the family.

But legacy can also be a liability if it is too entrenched in tradition and stands in the way of the family's commitment to innovation, change and agility in future generations.

This is the “**legacy paradox**”.

“Should we expand into new markets? Diversify? Or stay true to our traditional business operations?”

If legacies are essential ingredients for future-oriented, sustainable business growth, they should be viewed as building blocks. But finding ways for tradition and innovation to co-exist is one of the most common challenges facing many family businesses today.



It's natural for people to want to leave their mark on the world and leave something behind that will outlive them. The ability for families to weave their legacy through the generations is powerful, as they pass down their experiences, values and knowledge. Then, it's up to the next generation to leave their own mark on the world by exploring new ideas, technologies and processes that will take their family's legacy to yet another level. ”

Robyn Langsford

Global Leader, KPMG Private Enterprise Family Business, KPMG International, and Partner in Charge, Family Business and Private Clients KPMG Australia

How legacies can be high-performance drivers

Forty-three percent of the 2,683 survey respondents reported a combination of high business, environmental and social performance, and strong legacies — a powerful combination for the success of the business and the family today and for generations to come.

The link between family business legacies, people and the planet

There also appears to be a symbiotic relationship between the strength of family business legacies and the impact they have on the sustainability actions of their businesses' humanitarian activities, environmental actions, the efficient use of natural resources, policies related to equal opportunities for employees and their well-being, and their relationships with suppliers and customers.

As described in the 2023 STEP Project Global Consortium and KPMG Private Enterprise report "[A road well-traveled](#)", the benefits of operating a sustainable business and doing what's right for people and the planet are clear identifiers of family businesses. In particular, family businesses that prioritize an identity legacy and weave the family's values and history into the business appear to excel in their sustainability performance, which suggests that the stories family businesses tell are not merely

reminders of their own heritage — they also serve as an important foundation for continuing to progress their sustainability actions.

The interdependency of legacies

On the family business journey, there are interdependencies — and trade-offs at times — among each of the components of legacy. And as the life of a family business changes across the generations, the focus may shift from one legacy component to another.

For example, in the early days of the family business life cycle, the focus may be on the material and biological legacy components, such as the family's wealth, name and bloodline. As the generations and business continue to grow, social aspects and storytelling to reinforce the "familiness" of the business may increase in importance while an entrepreneurial legacy typically weaves its way through the entire family journey.

Fifty-three percent of the survey respondents with high legacy scores also reported high community, environmental, employee and supplier sustainability results.

Key takeaways

- Legacy is an important aspect of family businesses, connecting generations and shaping the long-term vision of the business.
- But legacy can be both an asset and a liability, serving as a source of identity and inspiration but potentially hindering innovation and change.



Do you **understand your legacy and where it could lead you?**

To understand more about the strength of your own family business legacy and where it could lead you, begin by exploring the legacy matrix, where four different legacy types have been identified⁵ based on the combined strength of business families' legacies and level of transgenerational entrepreneurship.

⁵ Calabrò, A. (2023). Building and sustaining the family business legacy. Keynote presentation at the KPMG MESAC Global Family Business Summit, Bahrain.

The legacy matrix is an outcome of extensive STEP Project Global Consortium research, and it has been brought to life through the 2024 Global Family Business survey data, which measures business families’ levels of transgenerational entrepreneurship (TE) and legacy scores. When these two factors were combined, four groups of family businesses that share similar characteristics and features were identified.

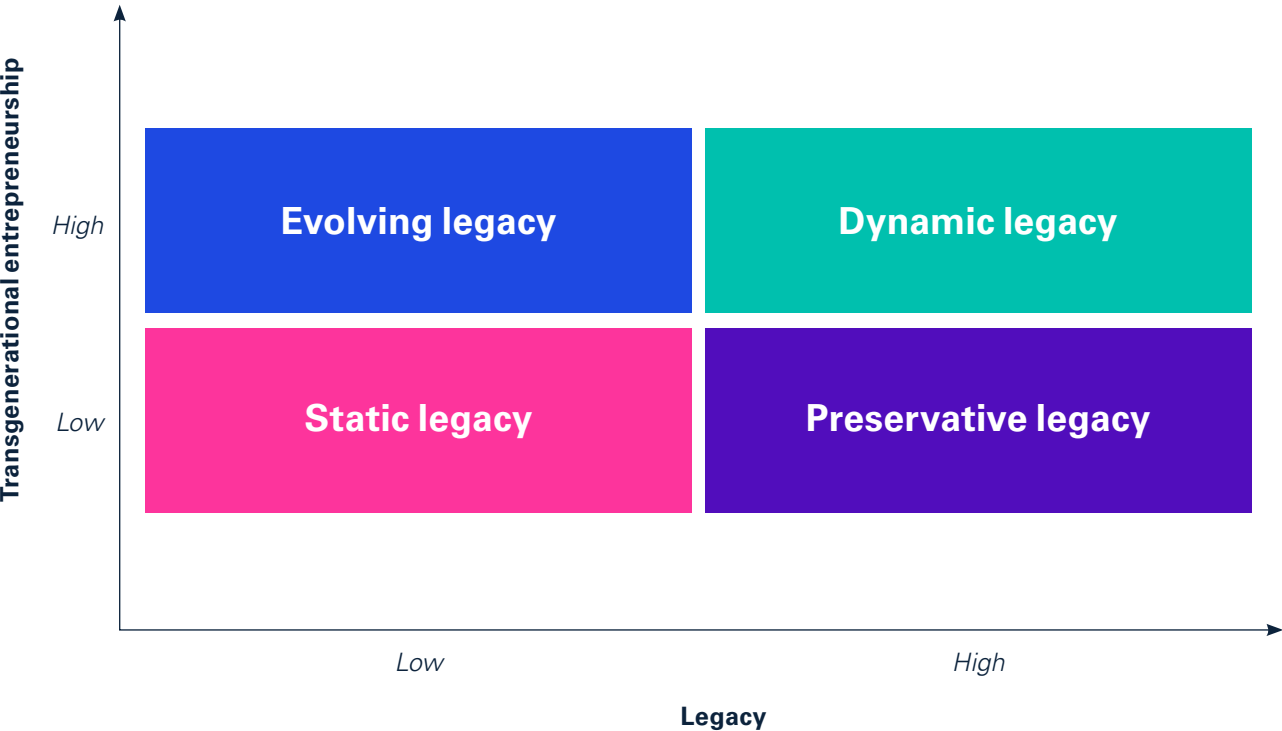
The survey respondents that reported the highest legacy and TE scores also reported significantly higher financial and sustainability results, which reinforces the important relationship between the strength of legacy and TE on the performance of family businesses.


By exploring the legacy matrix, family businesses are able to identify themselves in one of four legacy types: static, preservative, evolving and dynamic. Each of these legacy types differs in terms of the level of TE and legacy score of the family business, and the matrix is designed to help family businesses reflect on their current legacy and understand where it may lead them in the future.

Applying the legacy matrix to your family business may be an important first step in assessing the strength of your legacy and how it may be impacting the performance of your business. In the full version of this report, you’ll find guidelines for applying the legacy matrix to your family business to identify your legacy type and potential steps to consider for strengthening both your legacy and the performance of your business.

Visit kpmg.com/globalfamilybusinessreport to find out more.

The legacy matrix





Why should family
businesses focus
on their legacies
now?

As an increasing number of younger generations begin to enter their family businesses, many business families are focusing more on the future by:



Listening to the needs and ambitions of future generations



Promoting responsible stewardship of the business



Defining and communicating the core values and vision of the family and the business



Cultivating a philanthropic environment



Building generational bridges to foster family unity and harmony



Passing on expertise and knowledge while also embracing transgenerational entrepreneurship



Sharing the family history while also committing to innovation and adapting to change



Adapting to changing market dynamics

It's important to recognize that change can be embraced without losing sight of the foundations that the business has been built upon. This highlights the need for an open dialogue in family businesses to help bridge the gap between generations.



As a strong advocate for multi-generation conversations in business families regarding their values, heritage and expectations, I find it encouraging to hear family business leaders describe how important it is for senior generations to 'make space' for the next generation to make their own decisions about how they will take the family and the business legacy forward. ”

Andrea Calabrò

STEP Project Global Consortium

Academic Director

Director, IPAG Chair for Sustainable

Family Business & Entrepreneurship

IPAG Business School

Differing perspectives and priorities can shape how different generations perceive the importance of their legacy and the strategies they employ to build and sustain it. These generational differences can also enrich the family business's legacy by incorporating diverse perspectives and approaches that reflect the evolving dynamics of the business and of broader society.

With the increased focus on environmental, social and governance (ESG) priorities across the world, it's our observation that younger generations are more concerned with the social and entrepreneurial legacies of their family businesses, whereas older

generations may continue to place more value on material legacies and the family bloodline.

Each generation can contribute to the business by building on the founder's inspiration and vision, and sustaining the entrepreneurial mindset that revitalizes the business and contributes to strong business performance and maintains its competitive edge.

The future-oriented view of legacy is an important perspective — not only because of the impact that legacies have on family businesses today, but how their legacies can be leveraged for the success of their businesses and future generations.

The insights from the STEP Project Global Consortium and KPMG Private Enterprise research underscore the need to view legacies through this future-oriented lens and recognize them as catalysts for sustainable growth.

By leveraging these insights, family businesses can navigate the delicate balance between tradition and innovation, helping to ensure sustained performance and prosperity for generations to come.

Visit kpmg.com/globalfamilybusinessreport to read the full report and find out more.

Contacts



Andrea Calabrò

STEP Project Global Consortium
Academic Director
Director, IPAG Chair for Sustainable
Family Business & Entrepreneurship
IPAG Business School

E: a.calabro@ipag.fr



Robyn Langsford

Global Leader, KPMG Private Enterprise
Family Business, KPMG International,
and Partner in Charge,
Family Business and Private Clients
KPMG Australia

E: rlangsford@kpmg.com.au

kpmg.com/privateenterprise

kpmg.com/familybusiness

kpmg.com



The views and opinions of external contributors expressed herein are those of the interviewees and do not necessarily represent the views and opinions of KPMG International Limited or any KPMG member firm.

'KPMG' refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit kpmg.com/governance.

Throughout this report, "we", "us" and "our" refers to KPMG and the STEP Project Global Consortium, unless otherwise indicated by quotation marks.

© 2024 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Designed by Evalueserve.

Publication name: Unlocking legacy — The path to superior growth in family businesses

Publication number: 139344-G | Publication date: May 2024