

Unlocking legacy — The path to superior growth in family businesses

Balancing tradition and
change for enduring success

Benchmarking data for New Zealand


May 2024

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KPMG
Private Enterprise

 **STEP PROJECT**
GLOBAL CONSORTIUM
FOR FAMILY ENTERPRISING



The rich legacy of a family business is greater than the sum of its parts, with different elements of legacy contributing to the performance of the business, the strength of family bonds and the ability to sustain its entrepreneurial orientation across multiple generations.

INTRODUCTION

Benchmarking data — New Zealand

The legacy of a family business is as unique as the family itself. For some, it's a way of honoring the company's heritage, preserving its traditions and protecting the reputation of the company that in many instances bears the family's name. For others, legacy is one of the important building blocks for future success with the resilience, spirit of entrepreneurship and achievements of previous generations as a strong foundation.

Legacy matters.

It is built on a unique combination of tangible and intangible assets in family businesses that contributes to their continuing entrepreneurial spirit, financial results and sustainability performance, while also strengthening the families' bonds across the generations.

The STEP Project Global Consortium and KPMG Private Enterprise have jointly explored the impact of legacy on families and their businesses with data collected in an in-depth global survey of 2,683 family business leaders between September and November 2023. After a detailed academic analysis of the survey data, we also moderated a series of roundtable discussions in January 2024 with family business leaders along with family business academics and professional advisers.

Their insights are included in this benchmarking report, where we have highlighted different components of legacy; how each helps in building a thriving entrepreneurial business for future generations; and (as reported by family business leaders) the impact that legacy has on the financial and sustainability performance of their businesses.

The report also identifies key characteristics of family businesses that have an impact on the strength of their legacies, including the number of generations that have led the business; the age, tenure,

and gender of the current leader; and whether the business leader is a family or non-family member.

Our analysis of the research shows that there is a compelling link between legacy and transgenerational entrepreneurship in guiding the strategic decisions of family businesses and the impact they have on long-term business performance and sustainability.

The benchmarks make it possible to compare the results and business characteristics of family businesses with those across their regions/ jurisdictions and globally. The benchmarks also provide an opportunity for individual family businesses to identify potential characteristics in their own firms that may be having a positive — or potentially negative — impact on the strength of their legacies and performance.

Please be advised that this benchmarking report should not be read in isolation from the global family business report "[Unlocking legacy — The path to superior growth in family businesses](#)". The full report shares stories, experiences, perspectives and challenges in building a legacy that can be a lasting asset.

All of the charts throughout this report contain data derived from the STEP Project Global Consortium and KPMG Private Enterprise Global Family business report 2024: [Unlocking legacy — The path to superior growth in family businesses](#).

Legacy

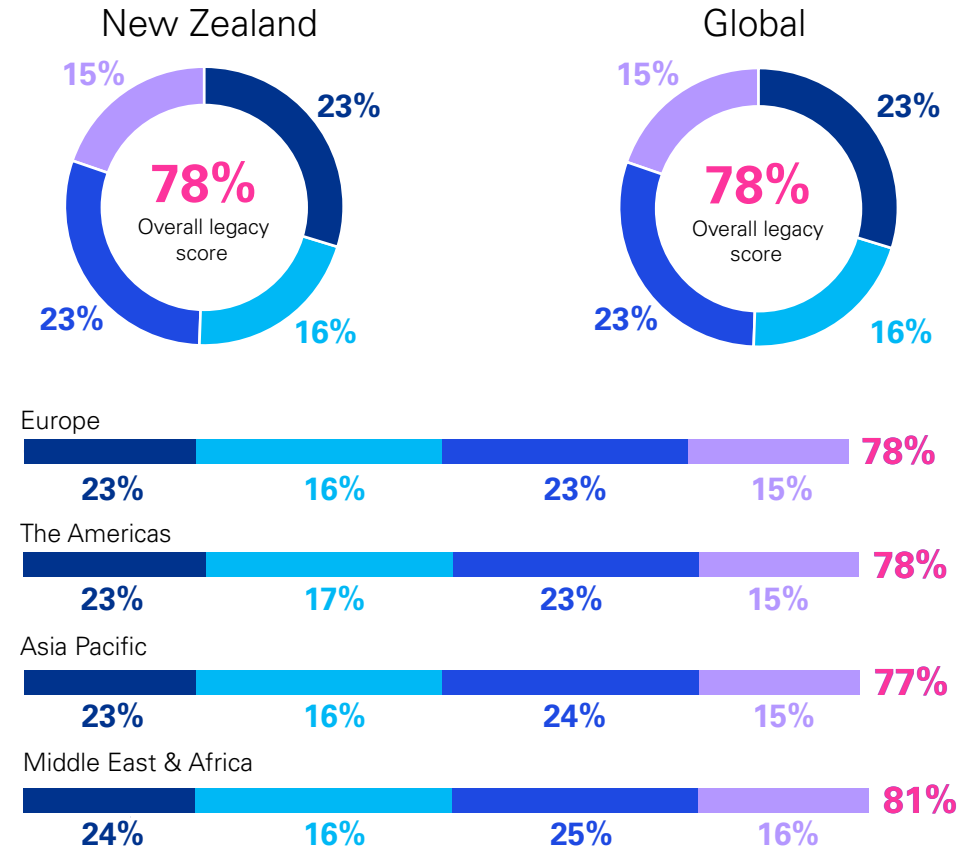
Legacy is a unique combination of tangible and intangible assets in family businesses. It is recognized for its role in sustaining the family's regenerative power and transgenerational entrepreneurship. Different components of legacies — individually or in combination with others — have an impact on businesses and families in different ways.

Four components of legacy and their impact are highlighted below:*

- **Biological legacy:** Intangible assets — such as the family name and bloodline are powerful family business assets that often include a commitment to sustaining the family's legacy through the involvement of younger family members.
- **Material legacy:** Tangible assets — such as land, property and family wealth or heirlooms of sentimental value. If a high proportion of the family's wealth is in the business, the tendency is to focus on the stability of the business and avoid unnecessary risks.
- **Social legacy:** Intangible assets — such as the family's shared values, attitudes and beliefs tend to contribute to a focus on community relationships and strong social ties.
- **Identity legacy:** Shared family stories and rituals — they weave the family's identity, values and history into the business and often contribute to transgenerational entrepreneurship.

* Through our survey, we have measured quantitative data on the biological, material, social and identity components of legacy. We have then explored qualitative data on entrepreneurial legacy, which is discussed in more detail in the global family business report "[Unlocking legacy — The path to superior growth in family businesses](#)".

We asked respondents a number of questions to determine the varying degrees to which they incorporate legacy into their family business, and this was subsequently broken down into four key components.



Degree to which legacy is incorporated into the family business.

● Overall legacy score

How this breaks down across the four components of legacy.

● Biological ● Material ● Social ● Identity

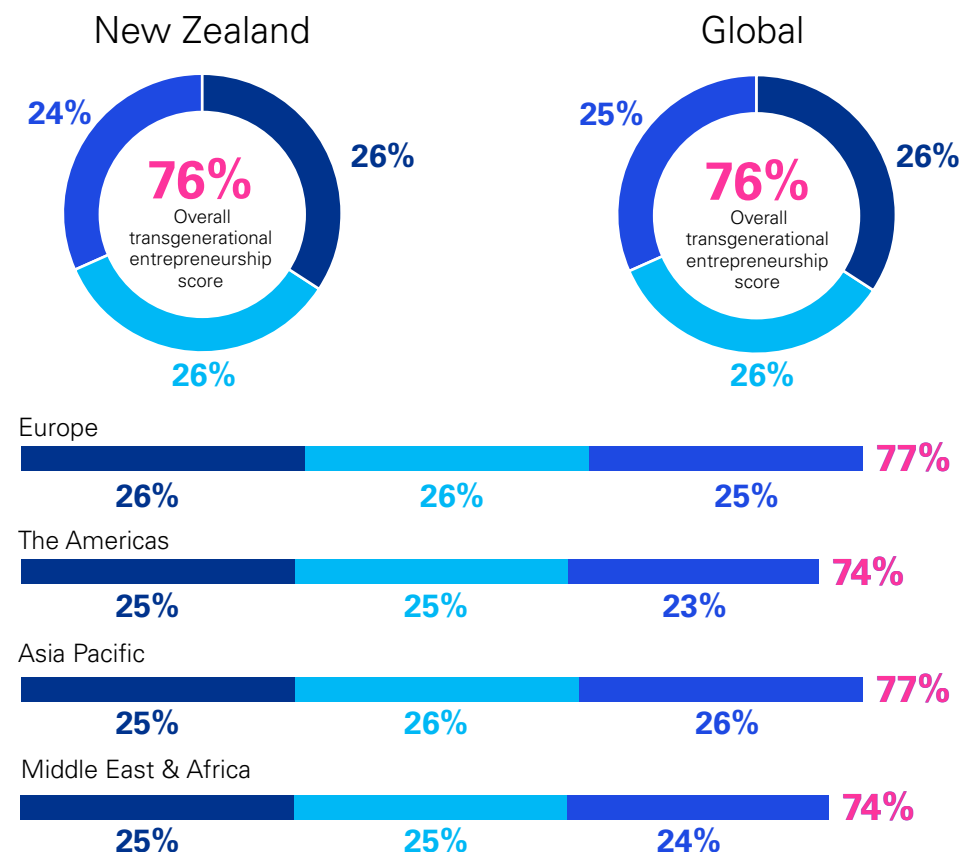
Transgenerational entrepreneurship

Transgenerational entrepreneurship represents families' ability to sustain the entrepreneurial orientation of their businesses through a continuous stream of family members' entrepreneurial activities across multiple generations.

Key findings:

- Different legacy components shape the transgenerational entrepreneurship approach.
- The positive relationship between the strength of transgenerational entrepreneurship in family businesses and their business and sustainability performance is more pronounced in multi-generational firms, where a legacy of collective experience and wisdom creates fertile ground for future success.
- The targeted sustainability actions of family businesses not only reflect their commitment to maintaining their entrepreneurial legacy across generations, but also to safeguarding their future by embracing sustainable practices.

We asked respondents a number of questions to determine the varying degrees to which they incorporate transgenerational entrepreneurship into their family business, and this was subsequently broken down into three key components.



Degree to which transgenerational entrepreneurship is incorporated into the family business.

● Overall transgenerational entrepreneurship score

How this breaks down across the three components of transgenerational entrepreneurship.

● Family relationships ● Family entrepreneurship ● Future generations

Sustainability

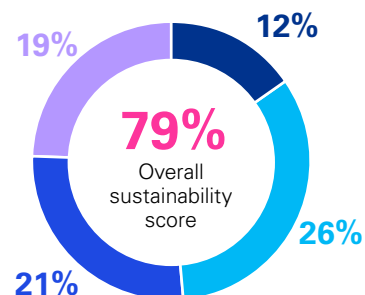
The strength of a family business legacy contributes to its sustainability performance across four dimensions: community, environmental, employee and supplier.

Key findings:

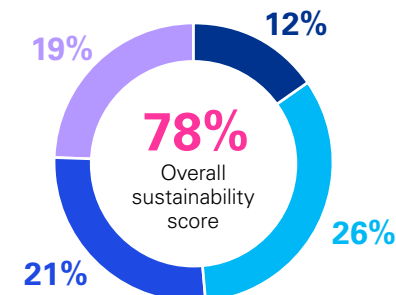
- High entrepreneurial legacies contribute to the sustained transgenerational entrepreneurship of the family business, which in turn contributes to sustained, long-term business and sustainability performance.
- Those with high social legacies tend to have high community and environmental sustainability performance.
- High social and material legacies contribute to high employee and supplier sustainability.

We asked respondents a number of questions to determine the varying degrees to which they incorporate sustainability into their family business, and this was subsequently broken down into four key components.

New Zealand



Global



Europe



The Americas



Asia Pacific



Middle East & Africa



Degree to which sustainability is incorporated into the family business.

● Overall sustainability score

How this breaks down across the four components of sustainability.

● Community-oriented

● Natural environment-oriented

● Employee-oriented

● Supplier-oriented

Performance

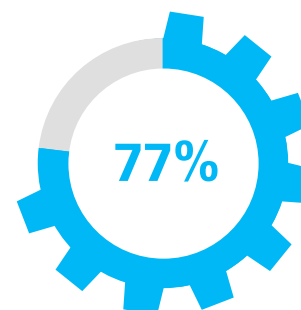
There is a compelling link between legacy and transgenerational entrepreneurship in guiding the strategic decisions of family businesses and the impact they have on long-term business performance and sustainability.

Key findings:

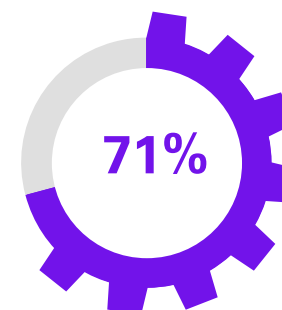
- Different components of legacy contribute to different types of performance. Material legacies tend to have the highest impact on financial performance.
- Family businesses with pronounced biological legacies and a commitment to the well-being of employees, suppliers and other people connected with their business tend to have strong business and sustainability performance.
- Companies with strong legacies often play important roles in the communities in which they operate. The continuity of established relationships with suppliers, customers and other stakeholders helps to create mutually beneficial relationships that contribute to the financial strength of the business.

We asked respondents a number of questions to determine their perception of their overall business performance.

New Zealand



Global



Europe



The Americas



Asia Pacific



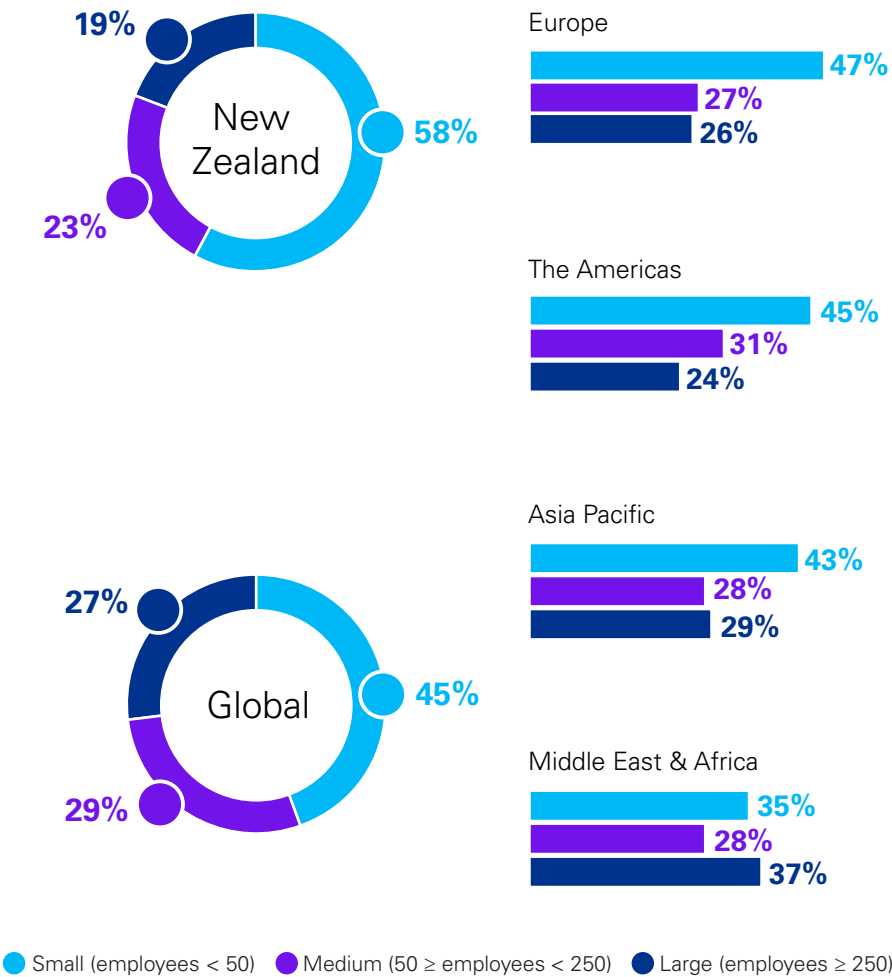
Middle East & Africa



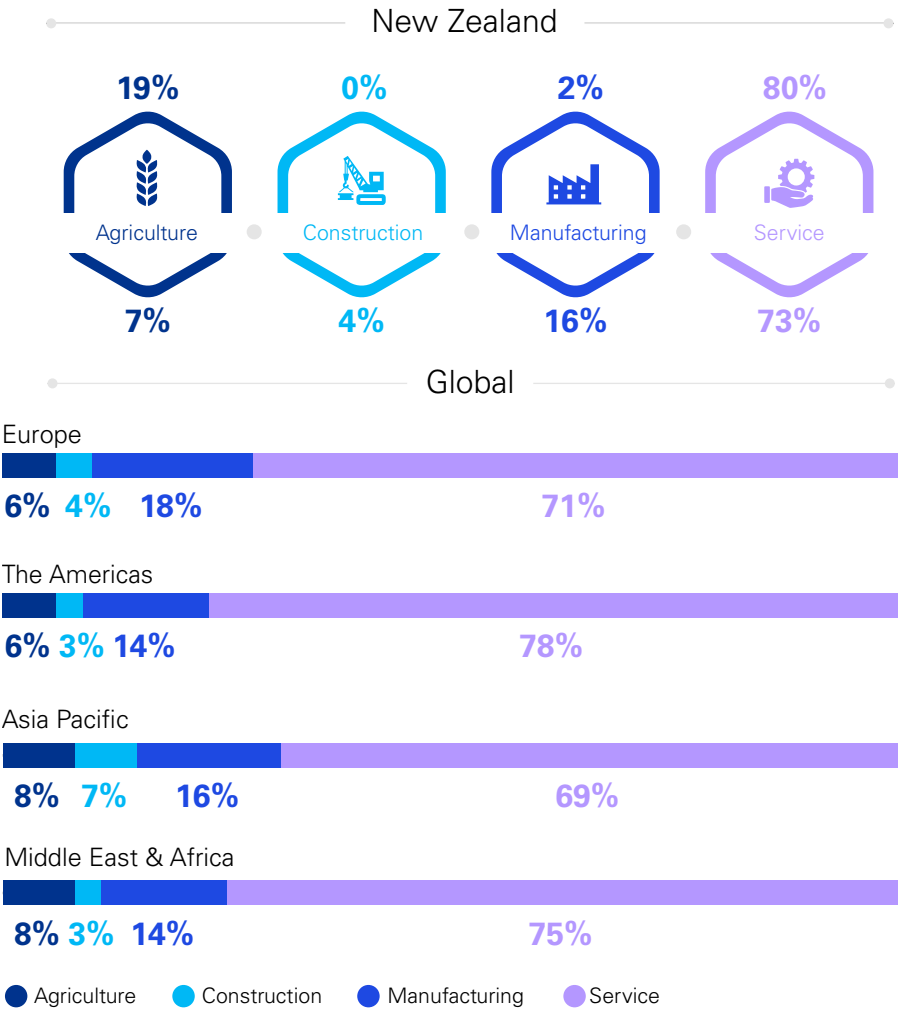
The above business performance scores were measured across the following seven key components: growth, market share, employees, profitability, return on equity, return on assets and profit margin.

Characteristics of the respondents

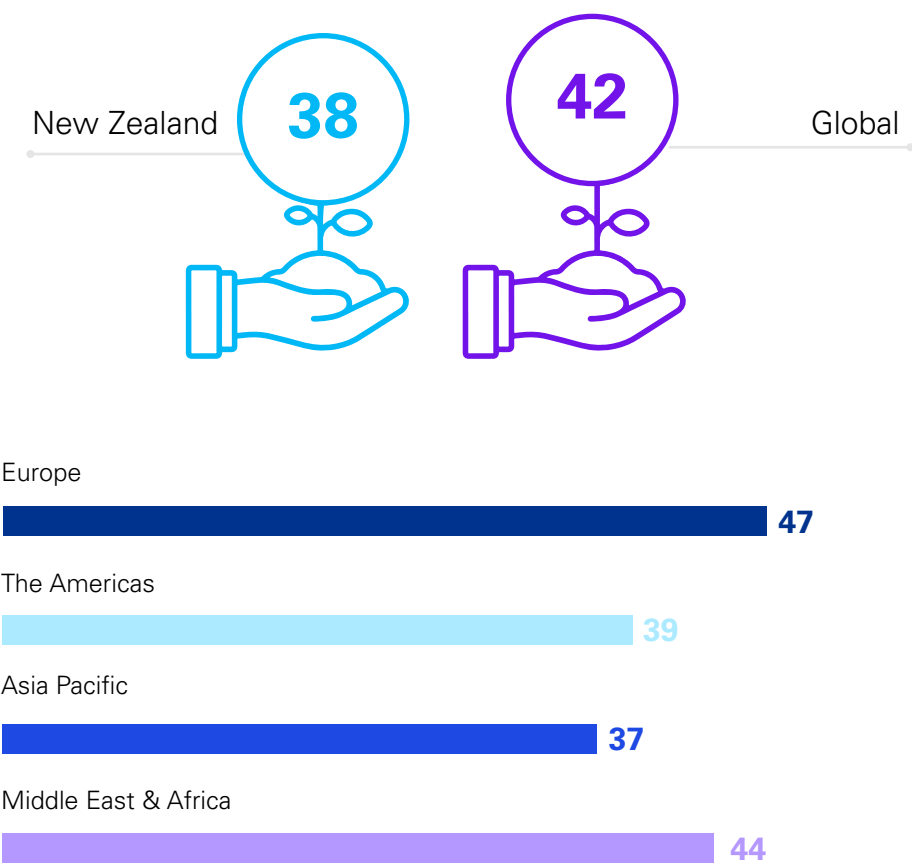
What is the size of your business?



What is the main industry of your business?

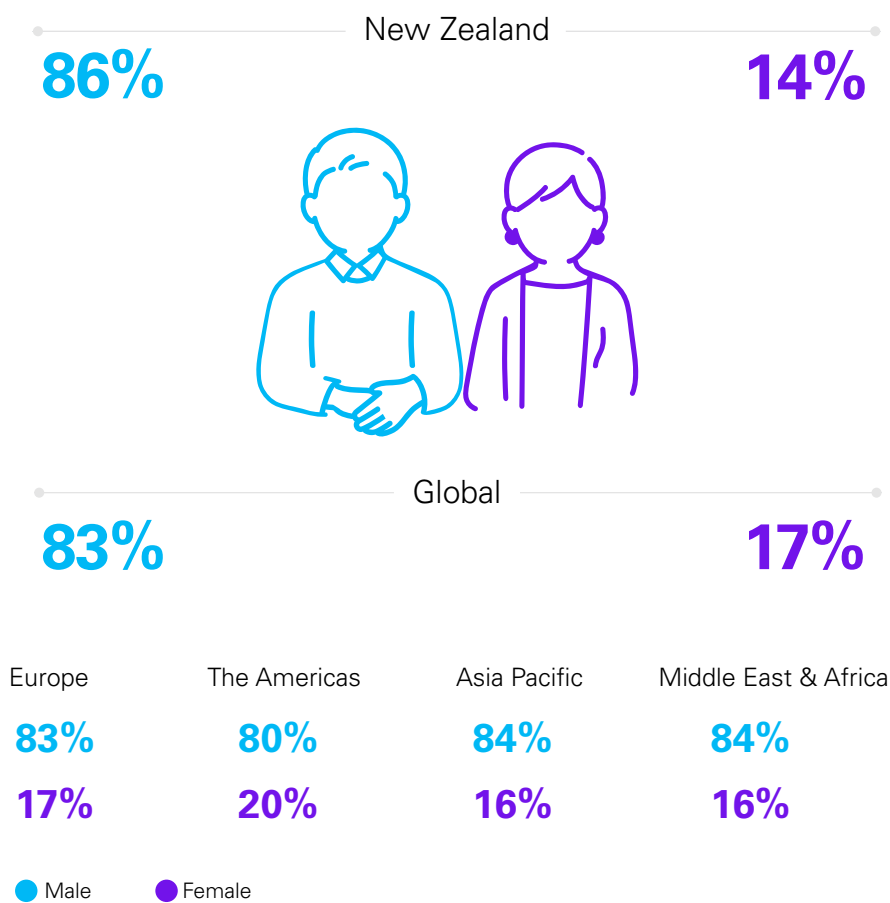


How old is your business?



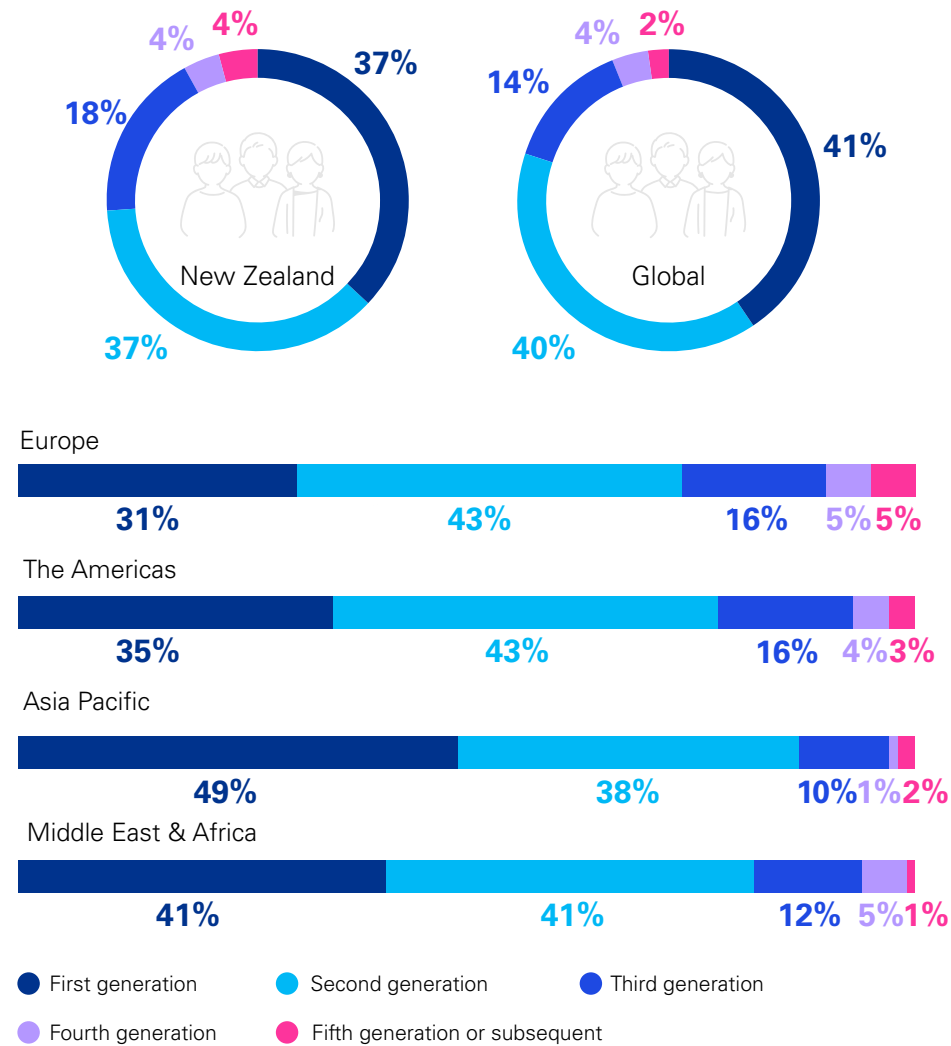
Average age of family businesses across respondents

What is the gender of your current CEO?

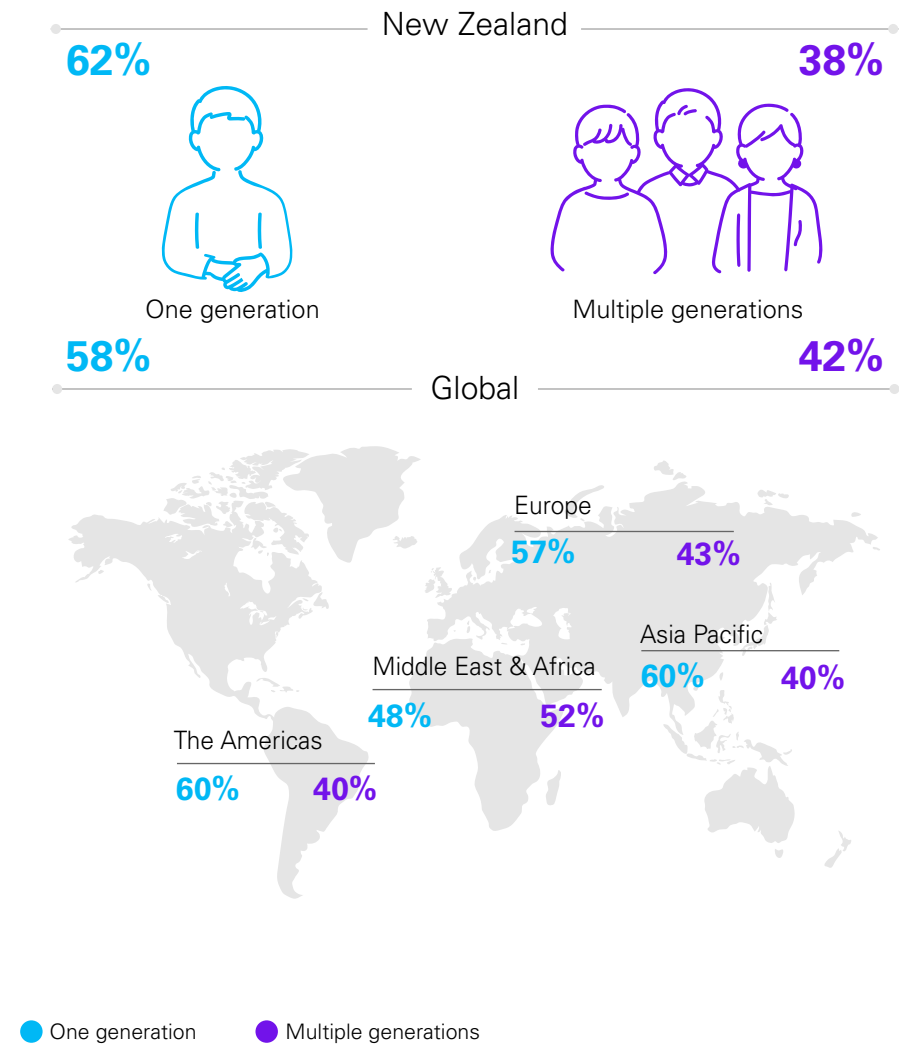


“Other (option to self-describe)” and “Prefer not to say”: No responses

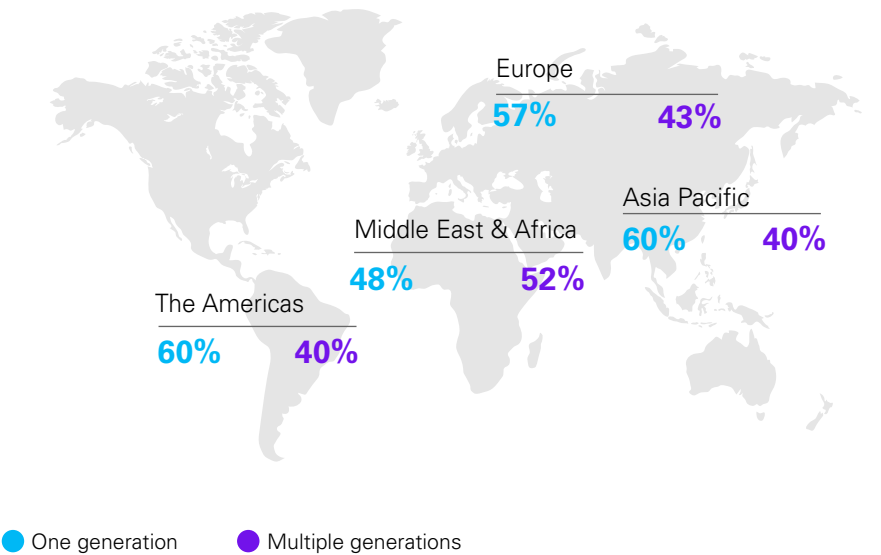
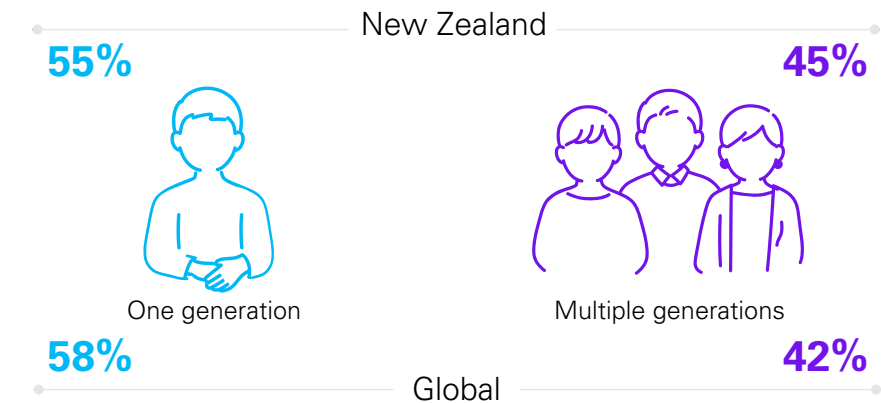
What is the generation of your current CEO?



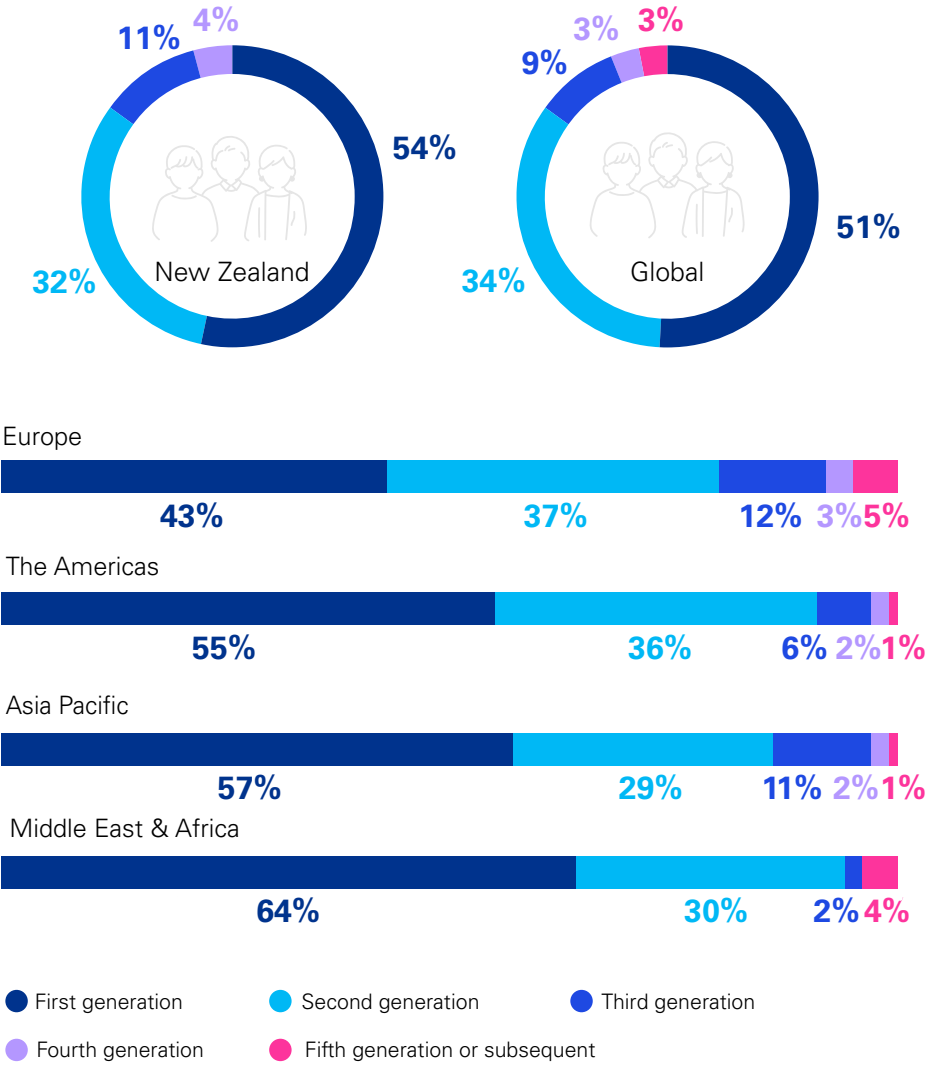
How many generations are currently active in managing your business?



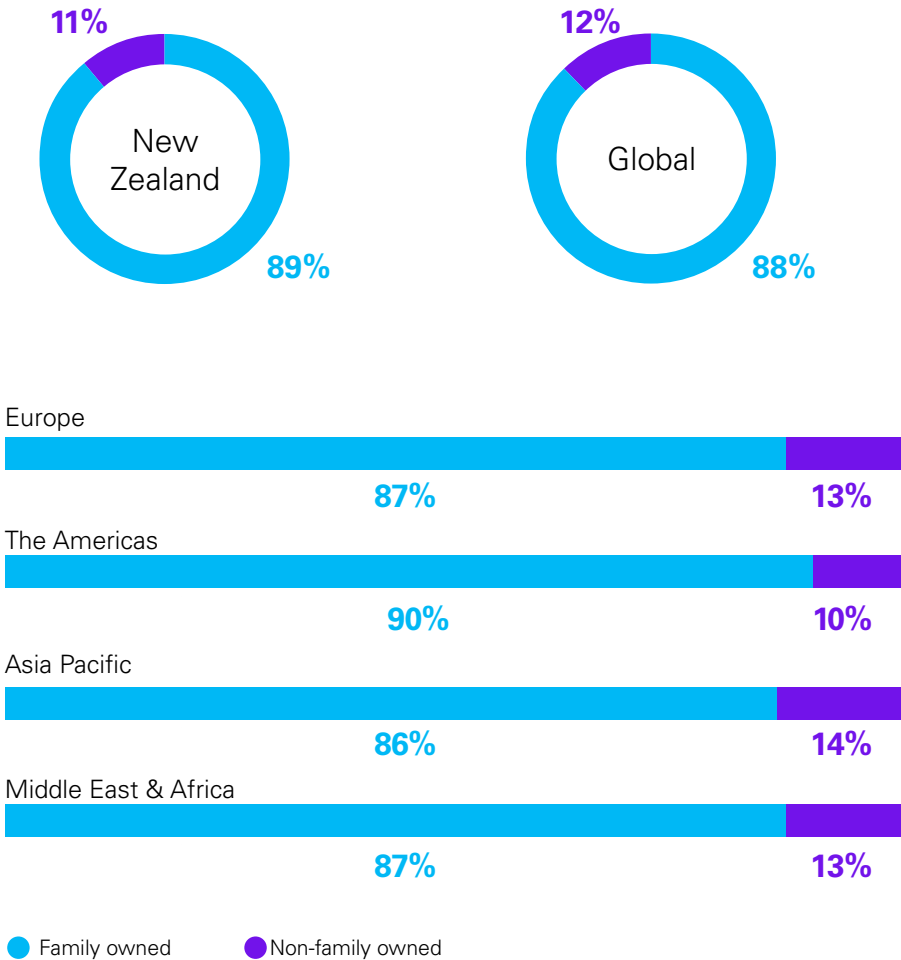
How many generations are currently owners in your business?



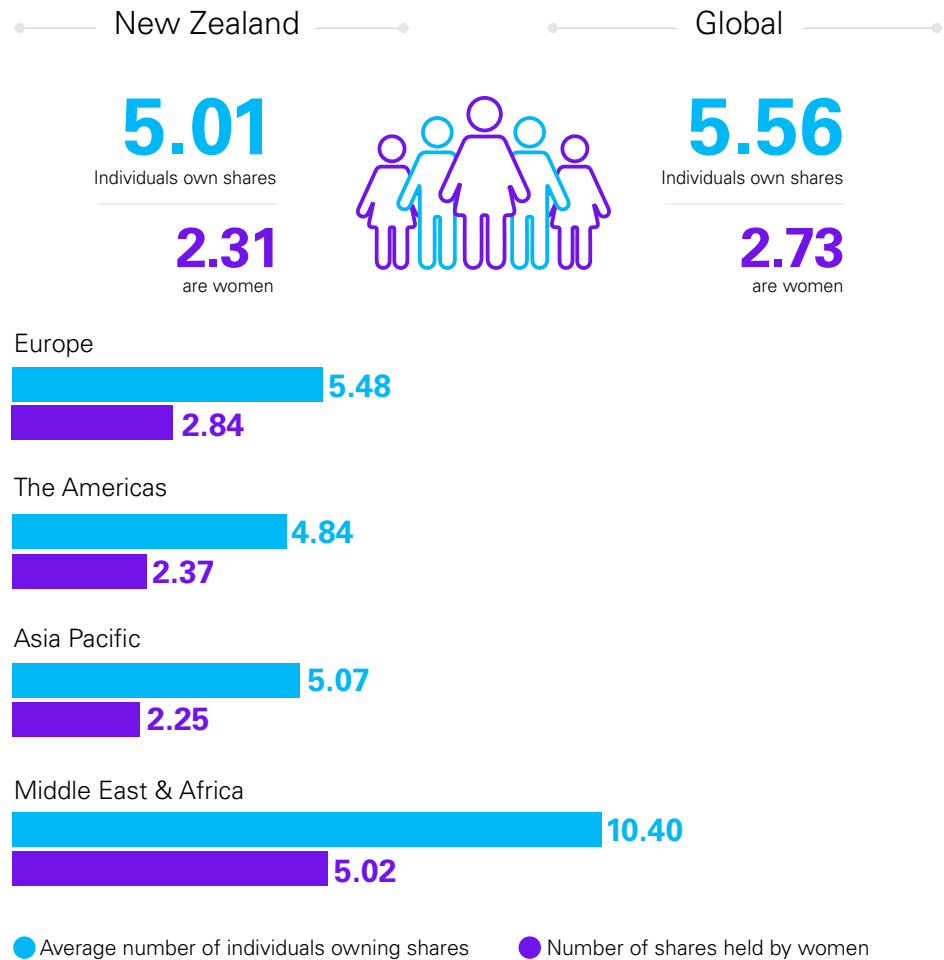
Which generations are currently owners in your business?



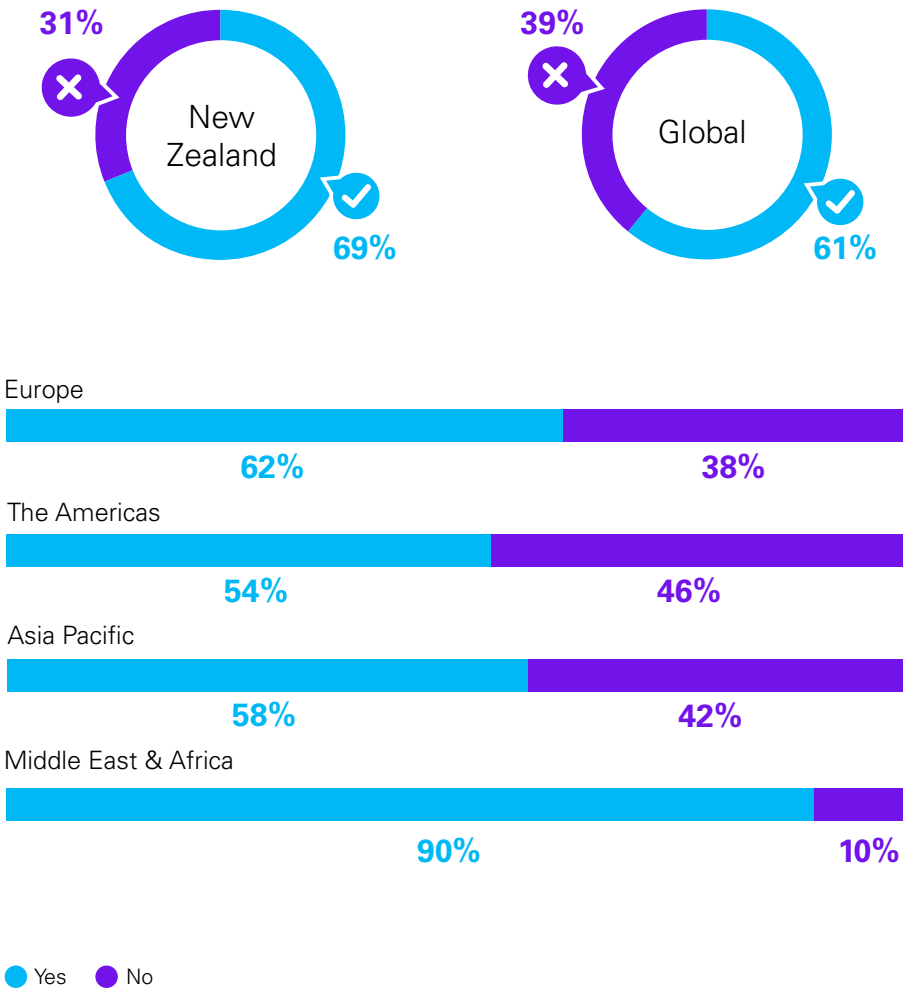
Approximately what percentage of the shares of your business are owned by the family?



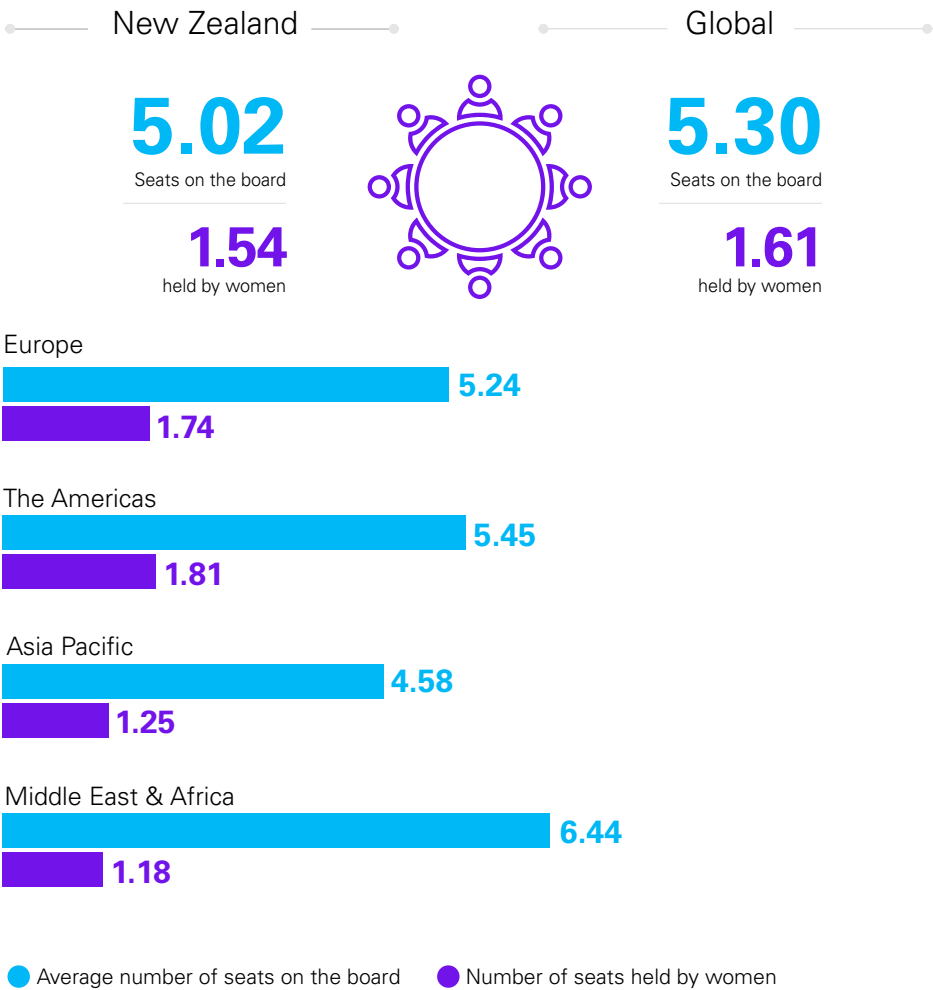
How many individuals in the family (on average) own shares and how many are owned by women?



Does your business have a formal board of directors?



What is the average number of seats on the board of directors and how many seats are held by women?





Contact us

STEP Project Global Consortium affiliates and collaborators

Andrea Calabrò

STEP Project Global Consortium
Academic Director
Director, IPAG Chair for Sustainable
Family Business & Entrepreneurship
IPAG Business School
E: a.calabro@ipag.fr

KPMG Private Enterprise

Mike Coleman

Partner
KPMG Private Enterprise
KPMG in New Zealand
E: mgcoleman@kpmg.co.nz

Jane Fletcher

Director
KPMG Private Enterprise
KPMG in New Zealand
E: jmfletcher@kpmg.co.nz

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