KPMG Private Enterprise

STEP PROJECT GLOBAL CONSORTIUM
FOR FAMILY ENTERPRISING

Family business report 2025

Strategic growth through values and purpose - a New Zealand contribution

Executive summary

July 2025

Our contribution

The influence of family-owned businesses is becoming ever greater in the 21st Century.

In an era defined by rapid technological advancements, global market shifts and increasing environmental and social responsibilities, how family businesses grow matters.

- How do we define success in family businesses?
- Is it continuity, diversification, or a blend of financial strength, governance and long-term impact?
- How can family businesses align their growth strategies with their evolving purpose, ensuring they remain resilient, relevant and impactful across generations?

This report offers insights to these questions based on data generated from research by the STEP Project Global Consortium and the experience of KPMG Global Family Business Network.

Our New Zealand contribution from 53 families offered invaluable insights and illustrated that the outcomes and messages from the global report are equally applicable to New Zealand as they are to the rest of the world. This is regardless of the size and complexity of family businesses in New Zealand, as the data shows striking similarities.

“More than ever, successful family businesses recognise that sustainable growth requires balancing financial performance with social responsibility, environmental impact and effective governance. These values underpin the legacy and identity of the family which transcends generations of successful family businesses.”

Jon Holmes
National Managing Partner,
Private Enterprise
KPMG New Zealand

See the full Global family business report 2025

Key insights relevant to New Zealand

Governance matters
High performing businesses are 10% more likely to have a formal board structure in place.

Build boards for impact
Businesses that exhibit high sustainability are typically led by boards with greater female participation.

67%

of high-performing family businesses globally have formal boards.

Multi-generational boards positively impact sustainability and entrepreneurial orientation.

Consider how you may grow ‘inorganically’
Family businesses are increasingly looking to engage in M&A activity and finding new sources of ‘growth’ capital funding as a basis for diversification and international expansion.

How do you continue to grow ‘family capital’?
We are witnessing the evolution of ‘family businesses’ becoming ‘business families’ investing more widely outside the equity in their own business — how will you grow in the future?

Growth through acquisitions and access to third-party funding is a key strategic priority for 46 percent of private companies over the next 3 years.

Key insights relevant to New Zealand

Multi-generational engagement enhances sustainability

As family businesses transition across generations, the importance of sustainability is enhanced.

Encourage entrepreneurship across generations

Family businesses with high transgenerational entrepreneurship (TES) lay the foundations for long term success.

Strengthen family relationships

Working closely, and effectively, together is a significant contributor to out-performance.

Communication can always be improved

Families need to pay particular attention to communication to ensure family relationships remain strong.

38%

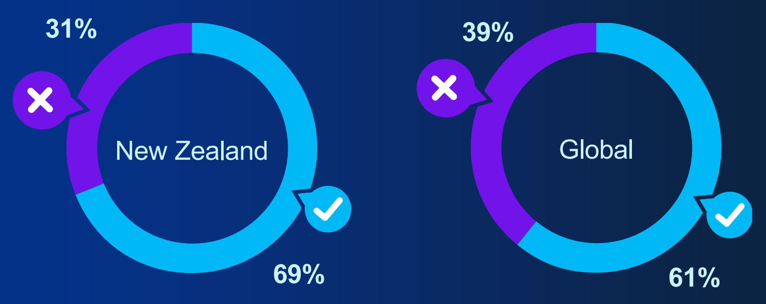
of family businesses are not satisfied with the quality of communication within the family.

Family relationships (Strongly agree %)

Governance for growth

Governance is crucial for the growth of a family business. Great governance establishes clear decision-making processes, reduces conflicts and ensures long-term sustainability.

Does your business have a formal board of directors?



Governance and formal boards matter. However, the adoption of formal boards can often be a sticking point for many family businesses.

Common rebuttals include:
'We don't have the scale to justify having a board.'

'Who could tell me more about my business than I already know?'

'I'm too busy in the business to set up a board.'

But, from our analysis, good governance and the existence of a formal board matters. Specifically, the data shows that 69 percent of high-performing New Zealand family businesses have a formal board.

We expect this to increase as the transition between generations occurs and the composition of the board diversifies.

Our findings also reinforced the structure of the board can impact a business' capacity to innovate and be sustainable.

A varied board composition, including different generations, independent advisors and diversity, reflected a heightened sense of awareness of social responsibility and an appreciation for the value of generational diversity.

Fostering growth through M&A

In New Zealand, the next 10 to 15 years will witness a significant shift of assets from one generation to the next.

It is common for families to find it difficult to manage these cross-generational transitions, however, there are a broader range of options available to families as they transition the family capital.

20%

of the family businesses surveyed in the past three years engaged in M&A activity.

60%

of the targets were other family businesses.

Family businesses are increasingly using growth capital to expand, innovate, and stay competitive. Unlike working capital, which covers daily operations, growth capital supports long-term investments like acquisitions.

Globally, M&A activity among family businesses is rising. While less common in New Zealand, interest is growing. Key reasons for pursuing M&A include:

01 **Unlocking potential**: Acquisitions can help businesses grow, modernise, and enter new markets.

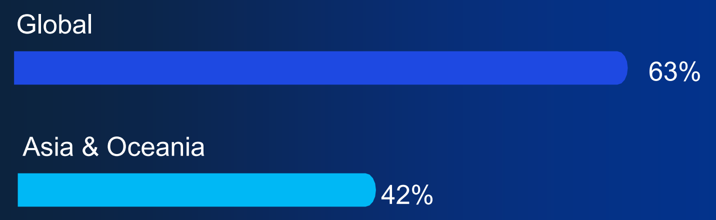
02 **Improving efficiency:** Investment can streamline operations and boost profitability.

03 **Succession support:** M&A can ease leadership transitions when successors are unclear or funding is needed.

Despite concerns about losing control or increased risk, family businesses that choose targets aligned with their values and long-term goals often see strong financial and strategic benefits.

Family businesses also prioritise sustainability and social responsibility, which increasingly influence their M&A decisions.

Family business targets as percentage of acquisitions



Sustainability as a growth driver

Sustainability is increasingly a strategic priority for family businesses seeking growth. Sustainability supports the preservation of the business for future generations, provides economic benefits, creates competitive advantages, enhances employee engagement, improves stakeholder relations and ensures regulatory compliance.

In New Zealand, the increased interest in Environmental, Social and Governance (ESG) initiatives can be attributed to several factors:

- The emergence of a younger generation, that advocates strongly for ESG investment and positive change.
- The evolving regulatory landscape. New Zealand recently adopted climate related disclosures for publicly listed companies, banks, and insurers. This emphasis on reporting is to support the allocation of capital to a low-carbon, climate-resilient future by providing the investors with a view of the risks and opportunities involved.
- ESG bona fides give family businesses a competitive edge in attracting and retaining staff, especially in markets reliant on younger or more diverse workforces.

Companies that integrate sustainability into their strategies can achieve long-term profitability by reducing costs (e.g. energy efficiency, waste reduction).

At the same time, consumers and investors increasingly favour businesses with strong ESG practices, leading to enhanced brand loyalty and market positioning.

As the conversations around ESG continues to evolve, family businesses in New Zealand continue to recognise the link between their values and ESG principles.

By integrating ESG into their strategies they are not only protecting their legacy but contribute to a more equitable and sustainable future for generations to come.

Family businesses that demonstrate high levels of sustainability often exhibit the following characteristics:

- Long-term orientation — stewardship and prioritising growth over short-term profits
- Strong values and culture
- Resilience and adaptive mindset
- Effective governance
- Focus on human capital
- Financial prudence — fiscally responsible and preference to reinvest
- Environmental stewardship
- Stakeholder engagement — transparency

The role of family offices in supporting family business growth

As family businesses expand across generations, the need for professionalised financial oversight and long-term planning becomes increasingly critical. Family offices serve as dedicated entities that help manage assets, mitigate risks and align financial decisions with family values and business goals.

A well planned Family Office contributes to the growth and long-term sustainability of a family business.

Often referred to as patient capital, the family office's motivations behind investment decisions are not led by a responsibility to a broader investor base but rather by the objectives of the family as owners.

In New Zealand, the concept of a family office is emerging. Most are either Single Family Offices (SFOs), which operate as standalone entities managing family wealth, or Embedded Family Offices (EFOs), which are integrated within the family business and function as a separate profit centre.

Rather than isolating the activities of the family office away from the family business, EFOs are complementing the activities of the family business by sourcing new investment opportunities.

The benefits of a family office include:

01

Managing the family's wealth in alignment with business needs in terms of time frame.

02

Enabling the separation of family and business capital.

03

The capacity to invest in strategically aligned growth opportunities for the family business.

04

The opportunity to fund the right education and leadership programs for future family executives.

05

Enabling broader diversification of family capability to ensure financial stability and sustainability.

Growth matters

Value creation through growth is crucial for a family business because it can help ensure long-term sustainability and ultimately the successful transition of the business across generations.

Done well, it builds a family identity across generations and enhances a sense of legacy, encouraging continued family engagement. By fostering growth, family businesses can stay competitive in a dynamic market and provide a platform for enduring prosperity.

In short, how a family business grows matters.

Conversely, bad growth would be seen as adversely affecting the long-term health of the business, its value and the reputation of the family as owners.

Long-term value creation within a family business requires careful consideration of the business's financial performance, sustainability and capacity to generate good growth.

As family businesses grow larger, achieving good growth becomes more complex.

Driving value creation through growth

Actions to take:

1. Diversification of revenue streams
2. Strengthen financial systems and processes
3. Build strong customer loyalty
4. Strengthen business governance and leadership
5. Encourage a culture of innovation
6. Develop and retain talent
7. Plan for succession
8. Align your business growth strategy with the family's long-term vision
9. Expand networks

Measuring success

This report has outlined the most critical drivers of growth for today's family businesses:

Governance and leadership
must be calibrated for the future, clarifying roles, strengthening decision-making and preparing the next generation to lead with purpose.

Sustainability
is no longer a side initiative. Instead, it is a strategic driver of growth. Businesses that embed ESG principles into their operations are building resilience and securing relevance.

Strategic investment and M&A
are emerging as key levers to accelerate growth. Seizing these opportunities, however, requires careful planning, the right partners and a willingness to evolve.

The path ahead will demand tough decisions and a shared commitment across the family, the business and the broader community.

Family businesses are at a pivotal moment. Generational transitions, rapid technological shifts, and growing demands for environmental and social responsibility are reshaping the way family businesses define and pursue growth. Standing still is not an option.

As "Baby Boomer" CEOs step aside, they pass down more than just leadership. They transfer the responsibility and opportunity to reimagine what success looks like for the next generation. That means going beyond wealth preservation to embrace innovation, long-term value creation and purpose-led governance.

The next 5 to 10 years will separate those family businesses that merely survive from those that lead with intention and build a lasting legacy. With the right focus, your family business can grow – not just bigger, but better.

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