



The regenerative power of family businesses

Transgenerational entrepreneurship

Global Family Business Report
May 2022

»» What we asked



What is it about family businesses that enables them to stay ahead of the competition?



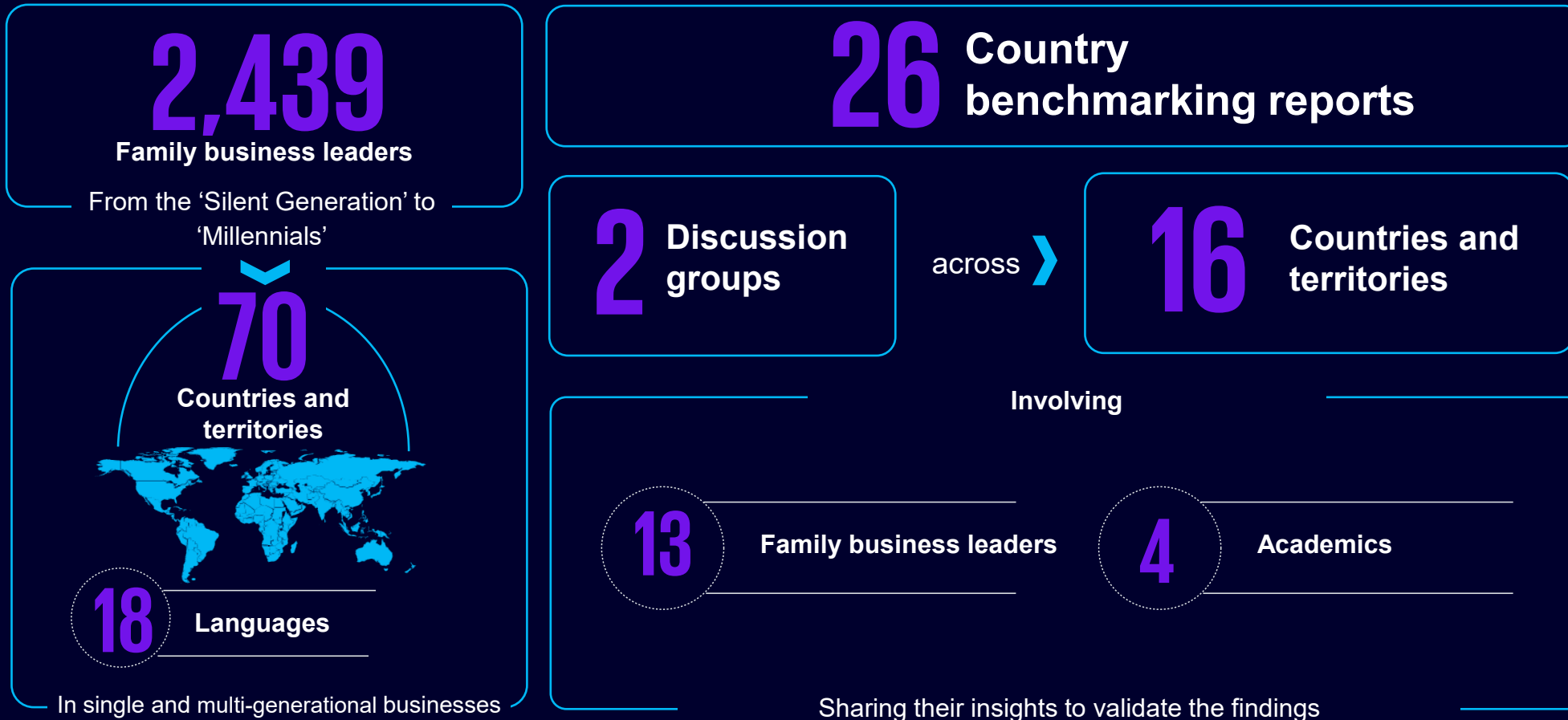
What is the secret to their staying power and their capacity to grow successfully from decade to decade and from generation to generation?



And what is the genius behind their ability to continuously nurture and sustain their founder's entrepreneurial spirit?

» Survey highlights — Respondents

An in-depth survey of family businesses was conducted between September and November 2021, followed by roundtable discussions with family business leaders, academics and professional advisers in February 2022.



» Survey highlights — Business profiles

An in-depth survey of family businesses was conducted between September and November 2021, followed by roundtable discussions with family business leaders, academics and professional advisers in February 2022.

Average age of firms

44 years

Business size (based on # of employees)

42%

Small (less than 50)

32%

Medium (50-250)

26%

Large (More than 250)

Industries represented



53%

Service



33%

Manufacturing



8%

Construction

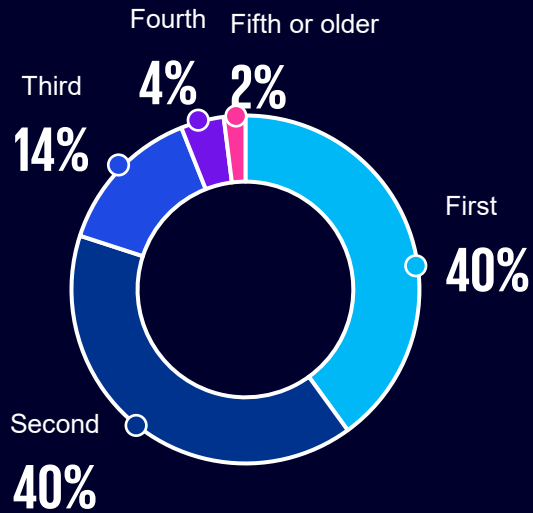


6%

Agriculture

Survey highlights — Representative family businesses

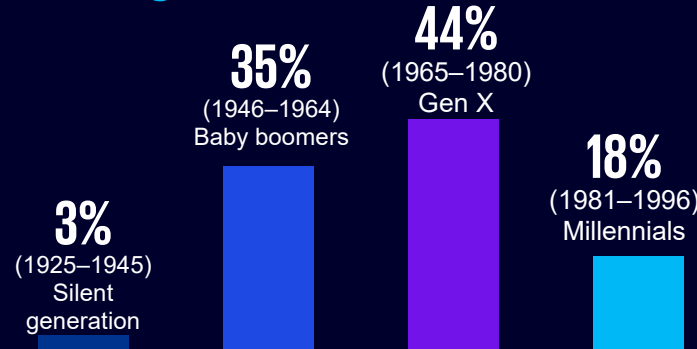
Family business generations represented



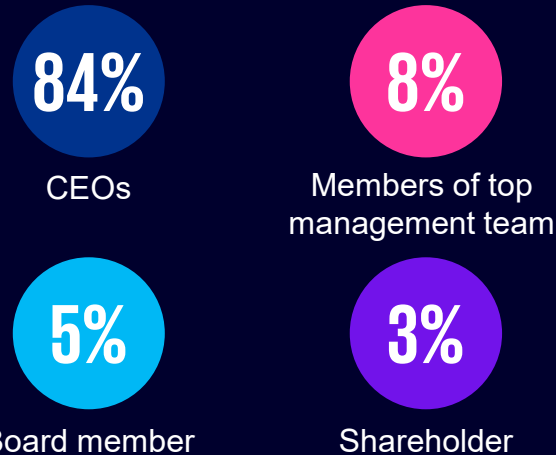
CEOs' gender



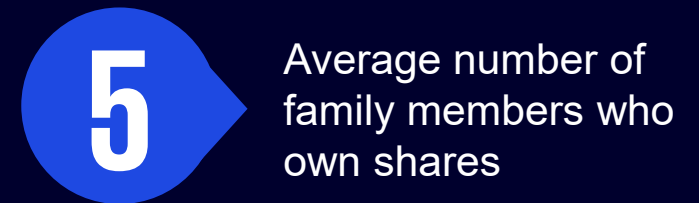
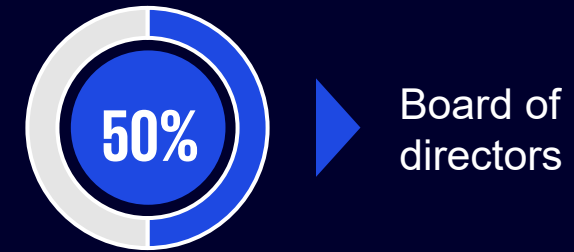
CEOs' generation



Respondents' role

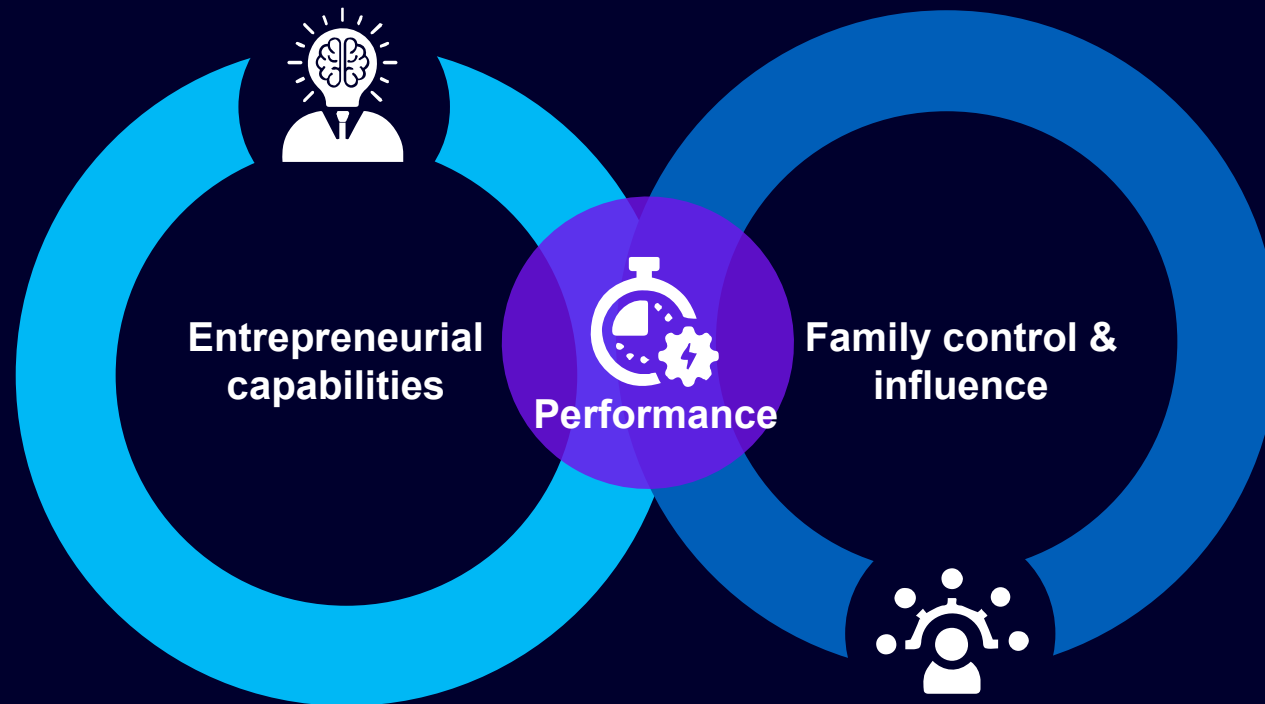


Business and family governance



Key findings

Their formula for success



Strong entrepreneurial capabilities + the family's positive influence = strong business, social and family performance

» The secret formula behind family business performance



Entrepreneurial capabilities

- **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's expectations
- **Risk taking:** The company's propensity to take large risks that may also have high potential returns.



Performance

- 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.

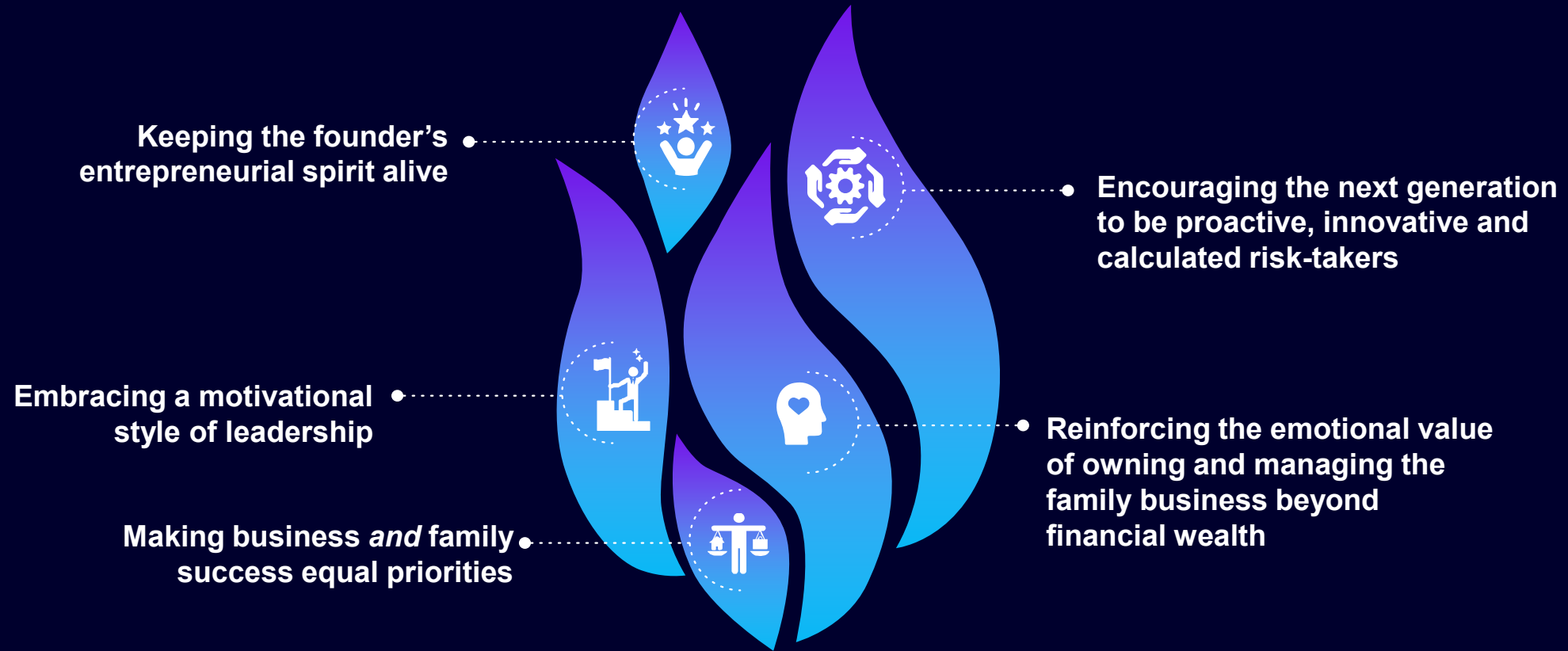


Family influence & control

- 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**.

»» What sets top performing family businesses apart?

The *fuel* igniting their regenerative power and performance:



» Performance factor 1: Entrepreneurial orientation

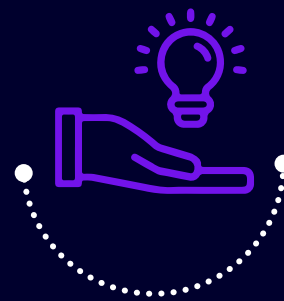
A blend of innovativeness, proactiveness and risk-taking



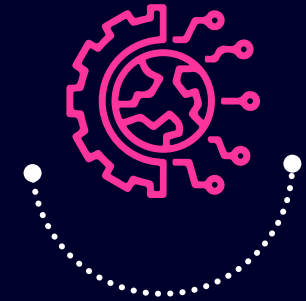
Investing in
R&D



Developing
new product



Seeking out
opportunities



Accelerating
digitalization

» Performance factor 1: Entrepreneurial orientation

The highest level of risk-taking was found in companies led by Millennial CEOs, suggesting that the youngest CEOs may be less risk averse than their predecessors.



For sustained entrepreneurial performance, next-gen family members are being given opportunities to develop innovations, take risks and make judgments on their own.

»» The need for balance



Silent Generation CEOs reported the highest levels of entrepreneurial orientation.



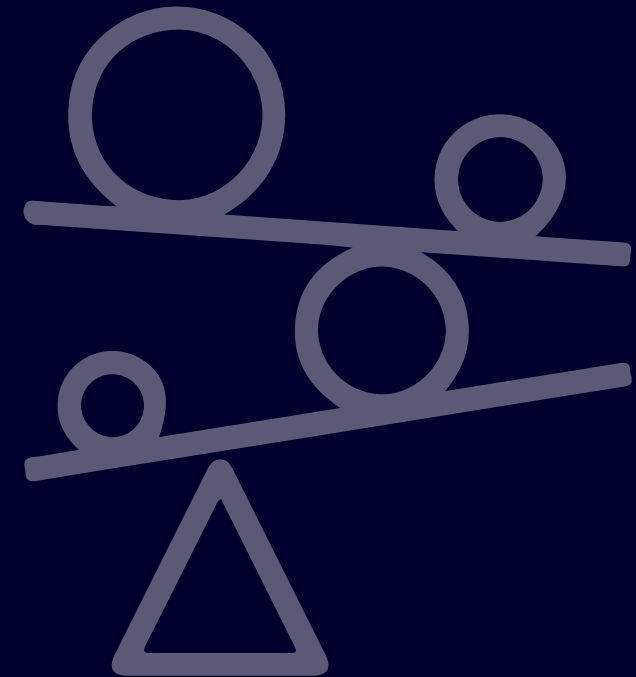
Millennial leaders had the highest levels of risk-taking.



Younger generations may be less risk averse and more aggressive in growing their businesses in order to outperform competitors.



Family businesses need to balance the influence of various generations to help complement the positive characteristics and mitigate the negatives in each.



» Performance factor 2: Socioemotional wealth



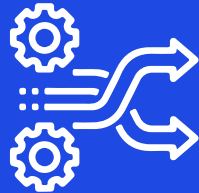
» Leadership impact

With continuing economic and social uncertainty, fueling the regenerative power of family businesses requires motivational leadership styles for them to:

- Continue to evolve; and
- Maintain their performance.



Preferred leadership styles of survey respondents



Transformational
especially non-family CEOs



Charismatic
especially family CEOs



Authoritarian

» A holistic view of performance

Family businesses define performance in multiple ways.
Each performance factor is important and must be measured.

Striving for peak performance

These are the unique and important factors for measuring the performance of family businesses.

Financial performance

- Growth in sales and market share
- Growth in number of employees
- Growth in profitability and profit margins on sales
- Return on equity and total assets.

Entrepreneurial orientation

- Emphasis on R&D, technological leadership and innovation
- Taking actions to which competitors are forced to respond
- Pursuit of high-risk projects with potential high returns
- Taking a bold, aggressive posture to maximize profitability.

External social performance

- Limiting environmental impact beyond compliance
- Educating stakeholders about environmental impact.

Non-financial performance

- Family unity, loyalty and support for the business
- Development of next-gen skills and opportunities
- Customer loyalty to the family name
- Good reputation in the business community

Internal social performance

- Adoption of innovative hiring practices (minority groups and persons with disabilities)
- Increases in women and minorities in senior management and boards.

» Entrepreneurial performance



Innovativeness and proactiveness are related primarily to financial and internal/external social performance and the non-financial priorities of the family.



Risk-taking is related to the internal social performance of the business, such as hiring more women and minorities in senior management and board positions.

»» Socioemotional wealth performance



Family control and influence and identification with the firm are highly connected with every aspect of financial, social and non-financial performance.



Emotional attachment to the business is linked with internal social performance (inclusiveness of women, minorities and persons with disabilities in senior managerial roles) and non-financial performance (family loyalty and support for the business and maintaining a good family name and reputation).

»» Generational impact on performance

Next-gen members who have taken a seat at the leadership table and are helping to create a new outlook to sustain success are:



Challenging the status quo;



Demanding progress in digitization; and



Achieving environmental, social and governance (ESG) targets.

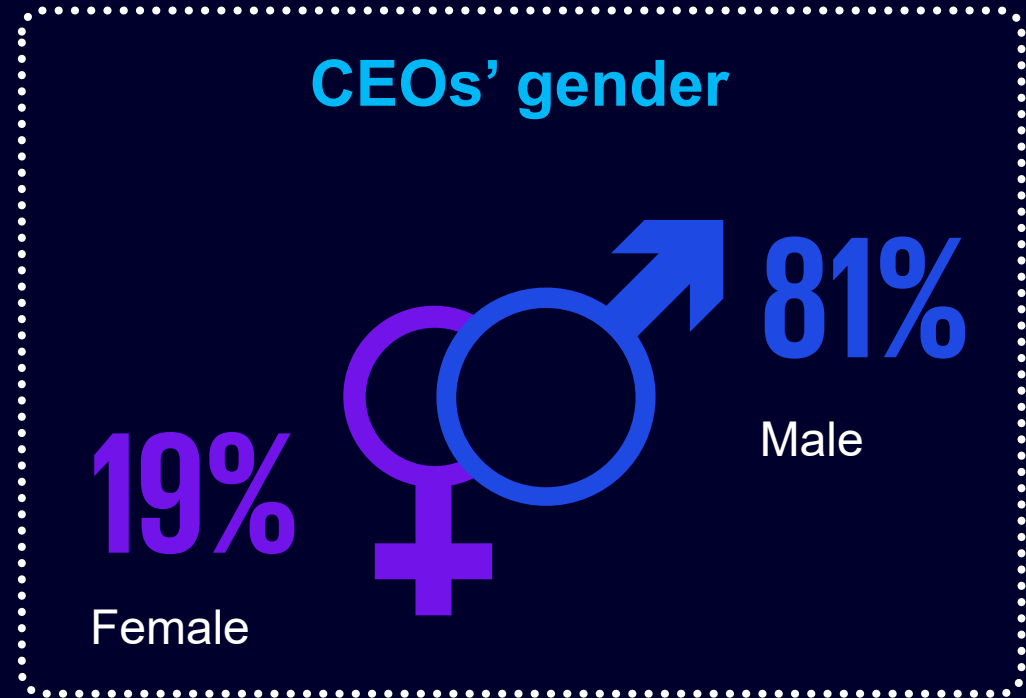
There is fresh leadership potential among young Millennials who are stepping forward, including a higher proportion of young female family members.

» Gender impact on performance

Male CEOs in family businesses generate higher levels of financial performance than females.

Female CEOs have higher social and non-financial performance, such as preserving the name and reputation of the family business.

Female CEOs reported higher levels of digitalization in their companies.



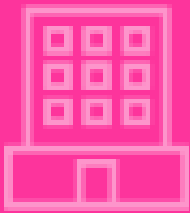
» Four family business performance profiles

While family businesses share common characteristics, they have different levels of entrepreneurial orientation, socioemotional wealth and performance.

These levels are illustrated in four business performance profiles, each of which demonstrates how differing levels of entrepreneurialism and socioemotional wealth impact the performance and regenerative power of their firms.

Entrepreneurial families

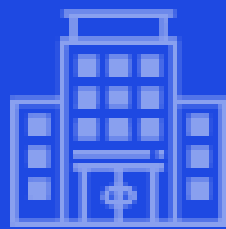
- High entrepreneurial orientation
- High socioemotional wealth



1

Business-first families

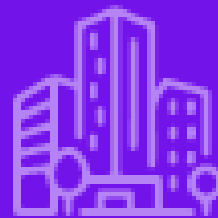
- High entrepreneurial orientation
- Low socioemotional wealth



2

Family-first businesses

- Low entrepreneurial orientation
- High socioemotional wealth



3

Underperforming businesses

- Low entrepreneurial orientation
- Low socioemotional wealth



4

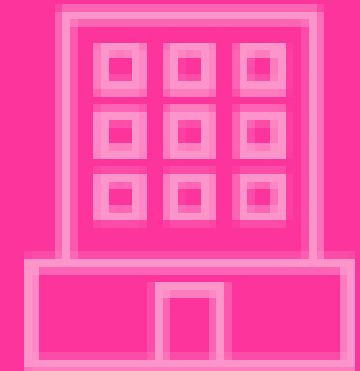
» Entrepreneurial families — Regenerative powerhouses

Common characteristics

- ▲ *Strong entrepreneurial orientation*
- ▲ *High socioemotional wealth*
- Average business age: 48 years
- Europe & the Americas
- Primarily first-generation businesses
- Small, with fewer than 50 employees
- First-generation, family CEO, but also the highest percentage of female, Millennial and Silent Generation leaders among all the profiles

Overall performance

- ▲ *High performance across all metrics*
- ▲ *High financial results*
- ▲ *High non-financial family performance*
- ▲ *High internal and external social performance*



» Business-first families — Innovators and risk-takers

Common characteristics

- ▲ *Strong entrepreneurial orientation*
- ▼ *Low socioemotional wealth*
- Average business age: 41 years
- Europe, Latin America, Asia & Oceania
- Primarily first- and second-generation businesses
- Large, with more than 250 employees
- Highest level of family ownership among the profiles
- Family CEO, primarily GenX and Baby Boomers

Overall performance

- ▲ *Very high levels of innovation/risk*
- ▲ *High financial, internal and external social performance and digitalization*
- ▼ *Low non-financial family performance*



» Family-first businesses — Lagging entrepreneurial spirit

Common characteristics

- ▼ *Low entrepreneurial orientation*
- ▲ *High socioemotional wealth*
- Average business age: 48 years
- Europe
- Primarily second-generation businesses
- High family ownership
- Small, with fewer than 50 employees
- Family CEO — primarily Baby Boomers and GenX

Overall performance

- ▼ *Low levels of financial and social performance*
- ▲ *High non-financial performance, family control and influence*



»» Underperforming businesses — Opportunities for improvement

Common characteristics

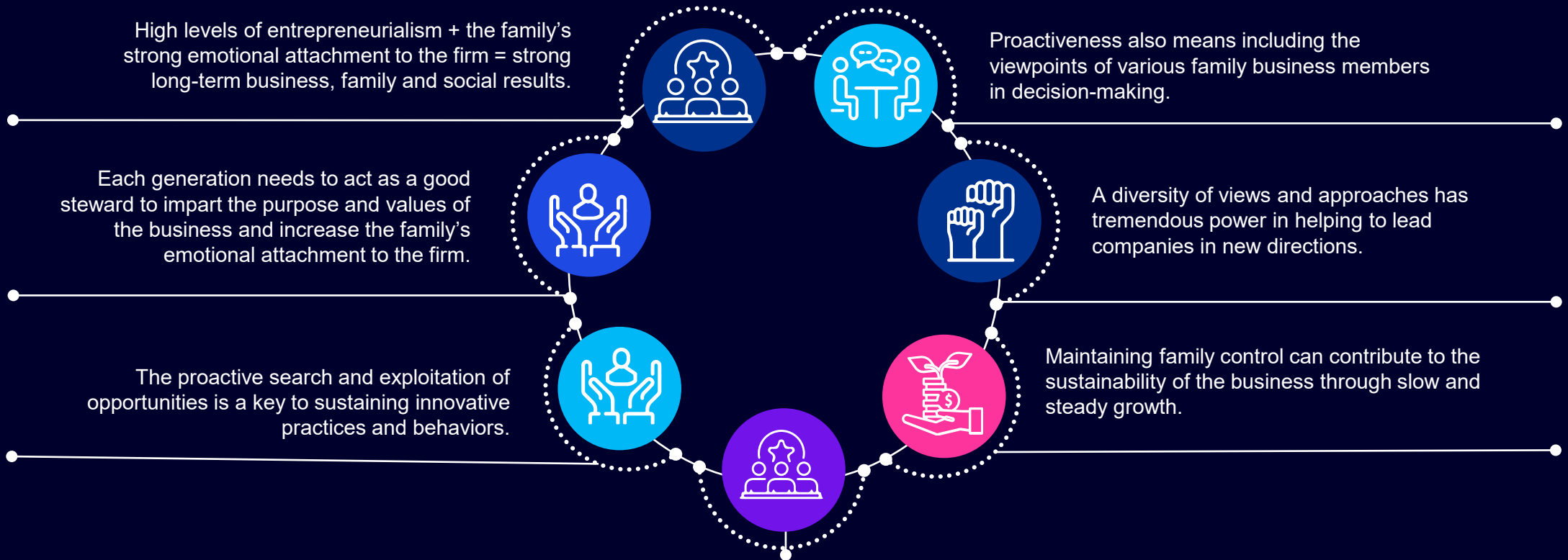
- ✓ *Low entrepreneurial orientation*
- ✓ *Low socioemotional wealth*
- Average business age: 46 years
- Europe, Latin America, Asia & Oceania
- Primarily first- and second- generation businesses
- Mix of small, medium and large companies
- Family CEO, primarily GenX and Baby Boomers and the second-highest representation from the Silent Generation

Overall performance

- ✓ *Low levels of digitalization, financial, non-financial/family and external social performance*
- *Medium level of internal social performance*



» An opportunity to recharge your own regenerative power



Preserving the founder's vision, sustaining a culture of entrepreneurialism and maintaining the family's interest in the business — all contribute to the regenerative superpower of family businesses.

»» The path to regenerative power

If there are areas where you believe performance could be improved for the long-term sustainability of your business, we encourage you to explore these considerations.

- »» How would you score your company's current level of **entrepreneurialism**? Is your company investing in research and development? Looking for opportunities to create new products or explore untapped markets?
- »» What impact are **next-gen family members** having on the direction of your business? Are they encouraged to opportunities on their own?
- »» Evidence suggests that next-gen leaders, particularly young women, are **digitally savvy**. Have you recognized that capability in your company to drive technological innovations?
- »» Are your family members well connected with the business? Have you considered new ways to keep them engaged and build your **socioemotional wealth** ?
- »» Are family members growing up in a **stewardship climate** to impart the purpose and values of the business with each succeeding generation?
- »» Has the potential of new **leadership capabilities** among female and next-gen family members been recognized? Are you taking steps to prepare them for future leadership roles?

» Methodology

The 2021 Family Business Survey relied on a convenient sampling strategy replicated across multiple countries and territories. Each affiliated team identified potential respondents eligible for the project considering the industry characteristics and the business structure of their own country. The survey was designed by a research team with more than 15 years of experience in conducting qualitative and quantitative research from the Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium and KPMG Private Enterprise. Previously validated scales have been used in the questionnaire to define each question. The questionnaire was firstly generated in English in September 2021. 2,439 family businesses completed the questionnaire from 70 countries and territories in Europe, the Americas, Middle East, Africa and Asia Pacific.

About the Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium

The STEP Project Global Consortium is a global applied research initiative that explores family and business practices within business families and generates solutions that have immediate application for family business leaders. STEP aims to be a leading global family business research project with an international reputation. The research insights are specifically drawn to be of relevance to developing new theoretical insights that can offer novel and valuable best practices recommendations to the business stakeholders and the practice community at large. Having a global worldwide orientation, STEP offers networking opportunities for researchers, family business owners and consultants coming from five continents.

Visit: thestepproject.org

About the KPMG Private Enterprise Global Center of Excellence for Family Business

As with your family, your business doesn't stand still — it evolves. Family businesses are unique and KPMG Private Enterprise family business advisers understand the dynamics of a successful family business and work with you to provide tailored advice and experienced guidance to help you succeed. To support the unique needs of family businesses, KPMG Private Enterprise coordinates with KPMG firms from around the world that are dedicated to offering relevant information and advice to family-owned companies. KPMG Private Enterprise understand that the nature of a family business is inherently different from a non-family business and requires an approach that considers the family component.

Visit: home.kpmg/familybusiness

About KPMG Private Enterprise

Passion, it's what drives entrepreneurs, it's also what inspires KPMG Private Enterprise advisers to help you maximize success. You know KPMG, you might not know KPMG Private Enterprise. KPMG Private Enterprise advisers in KPMG firms around the world are dedicated to working with you and your business, no matter where you are in your growth journey — whether you're looking to reach new heights, embrace technology, plan for an exit, or manage the transition of wealth or your business to the next generation. Working with KPMG Private Enterprise, you'll gain access to a trusted adviser — a single point of contact who shares your entrepreneurial mindset. Access to KPMG's global resources and alliance network, can help you drive your business forward and meet your goals. Your success is our legacy.

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» Contact us

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