

# Growth: Sustainability

Family businesses are economic entities ideally positioned to lead in the stewardship of ethical and sustainable practices. Legacy and wealth protection have long informed family business strategy and decisions, stemming from the unique blend of family and business – the relational approach.<sup>1</sup>

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Family businesses are increasingly aware of the need to operate in a sustainable manner. This includes reducing their environmental impact and promoting social responsibility, while understanding the need for financial sustainability. The KPMG Private Enterprise Global Family Business Network, in collaboration with STEP Project Global Consortium, published a study titled '*A road well-travelled*'<sup>2</sup> which reflects on how family businesses are guiding the sustainability journey. The findings presented are the product of personal interviews and group discussions with family business leaders across the world. The key findings from this study form the basis for the insights being shared.

## Sustainability focus is not new for family businesses

For many family businesses, intentional generation-to-generation value creation is deeply embedded in the family's values and woven throughout their business model. As such, there is an opportunity for family businesses to play a larger societal role by using their long-term, multi-generational mindset as a roadmap to sustainability for others to follow. The fundamentals of shared value are a familiar concept and they're ingrained throughout the family business model. While the family business may be taking a variety of routes and reaching new milestones at different stages of its journey, the progress made so far should be instructive and an inspiration for organisations of every type.

Sustainability is often thought of as 'meeting the needs of the present without compromising the ability of future generations to meet their own needs'<sup>3</sup>. Such considerations are not new for family businesses, many of which operate with a sense of duty to create and preserve a healthy, diverse and resilient world for their children and their grandchildren. For many, investing in sustainability and operating in a sustainable way is not only viewed as the 'right thing to do', but it's also becoming an essential engine of their companies' growth. An aspiration to leave a meaningful and lasting legacy is one often found at the heart of the family business. In recent years, it has been recognised that adopting sustainability principles and practices is the only way forward to create the world they want for future generations.



<sup>1</sup> <https://www.weforum.org/stories/2024/03/family-business-sustainability-trust/>

<sup>2</sup> <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2023/04/global-family-business-report-2023.pdf>

<sup>3</sup> WCED, 1987. *Our Common Future*. Oxford University Press, New York.

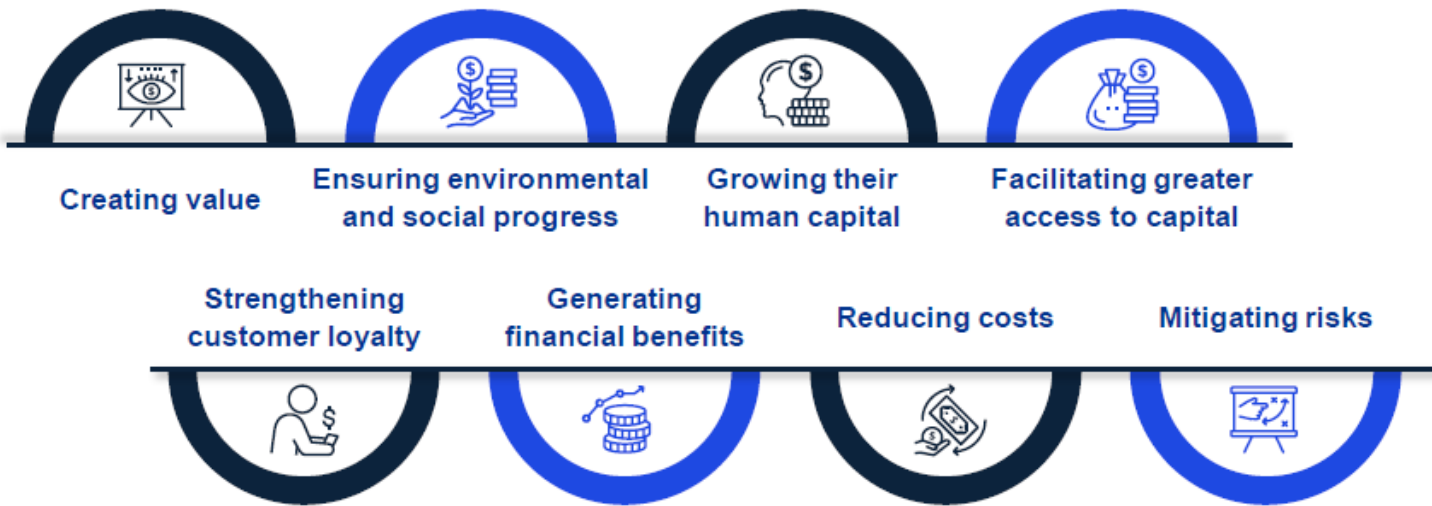


# Benefits outweigh the costs

Although additional costs and resources may be required, for many family businesses there has been an important shift in thinking away from sustainability as an additional cost of doing business and instead towards it being an investment in the future. As with any investment, it must deliver impact and results and make economic sense in order for it to be supported.

Sustainability can also be a competitive advantage. For some, sustainability is already woven into the fabric of their company’s culture, making it a key factor in attracting and retaining top-performing employees. It is recognised that younger generations are choosing to work only for companies that operate ethically and take good care of people and the planet. Increasingly, it has been seen that a company’s sustainability performance can be an important factor in attracting and retaining top talent. In addition, many family businesses have also seen the commercial imperative of demonstrating the tangible impact of their sustainability priorities, which often make the difference in their successful bids to win new work and to attract and retain loyal customers.

It is apparent that many family businesses are turning sustainability into ‘business as usual’ as they embrace the multiple benefits which it can generate, including:



Although there may be different routes towards greater sustainability, a common thread seen is a shared urgency to integrate sustainability into their core operations to strengthen their reputations and enhance operational efficiency. This illustrates a meaningful shift towards adopting more strategic approaches that integrate sustainability objectives in long-term business strategies. Rather than considering sustainability as a cost, more family businesses are looking at it as an essential investment.

<sup>4</sup> <https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2023/11/family-businesses-and-sustainability-leading-the-way.pdf>

# Paving the way to sustainability

Different approaches can be followed in the sustainability journey, but there are some commonalities which emerged as the building blocks to unlocking a sustainable future for the family businesses, the family and society. Individually and in combination, each of the identified factors are important:



A key aspect is the inclusion of all stakeholders. Next-generation and independent board members are often the key initiators of a formal sustainability strategy. An inclusive mindset is important - whilst the board is accountable for the strategy, implementation is the role of all the key players within the family governance structure. It's the role of family and owners' councils to consult with the board and provide their guidance.

Until recently, many family businesses have had a relatively informal approach to sustainability with a focus on doing what's right for their employees, customers and communities. But now there's greater recognition that their sustainability actions are actually potential differentiators with the power to create measurable competitive advantages. Because many family businesses have operated as responsible, sustainable enterprises for generations, they have tended to be relatively quiet about their efforts and their impact. In today's environment, we strongly encourage family businesses to be more vocal about what they are doing — and have been doing for many years (and often decades). Their genuine impact and bold ambitions have been well-earned and should be recognized.

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