



The regenerative power of family businesses: Transgenerational entrepreneurship

U.S. benchmarking data

May 2022



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Foreword



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Family businesses are resilient, responsible and regenerative. And they have navigated the uncertainty of the past few years with tenacity, agility and optimism. What is the secret to their success? And how are the leading family businesses reinventing themselves in dynamic and unpredictable environments?

To find out, KPMG Private Enterprise partnered with the STEP Project Global Consortium to survey nearly 2,500 family business leaders around the world (around a third were based in the U.S.). We then talked to dozens of leaders in the U.S. to hear from them directly about the opportunities and challenges they are facing as they encourage continuous renewal and performance in their family business.

So what are the secrets to the most successful family businesses? Our global research shows their long-term regenerative power comes down to their sustained spirit of entrepreneurship, transgenerational resilience and socioemotional wealth. And our data suggests U.S. family businesses are more focused on these drivers than most.

U.S. respondents were nearly twice as likely as their European counterparts to say they have a high entrepreneurial orientation. They were more likely than most to say they currently have multiple generations active in the business, including more women in leadership positions. And they were highly likely to rank their overall level of socioemotional wealth as medium or high. No wonder U.S. family businesses are demonstrating such resilience and capacity for reinvention.

What this data tells me is that U.S. family businesses need to keep doing what they are doing. They need to continue encouraging an entrepreneurial spirit throughout the organization. They need to further develop and grow their family talent and participation in the business. And they need to remain true to their employees, their families, their stakeholders and their customers.

Here, again, the survey is telling. U.S. family business leaders said they were more likely to focus on non-financial and employee performance dimensions than they were to prioritize financial and customer performance dimensions. Without investors buying to see short-term returns, family businesses can put their values, family and people ahead of financial results. And that has given them the resilience they need to perform in uncertain times.

The big challenge facing U.S. family businesses going forward will be in maintaining their focus on the things that made them successful in the first place. There are a lot of distractions in the world today. Some represent risks that must be carefully monitored and managed. Others are trends that may create opportunities for rejuvenation in the future.

Family business leaders will need to continue to take the current unpredictability in stride — working with the family, its advisors and its stakeholders to identify and understand potential impacts and, where necessary, adapting the business to respond.

On behalf of KPMG Private Enterprise, I would like to thank those U.S. family business leaders who participated in the development of this report. To learn more about the findings, or to discuss opportunities facing your family business, I encourage you to contact your local [KPMG Private Enterprise](#) representative.



Family businesses are developing new capabilities to continuously create value and maintain a sustainable competitive advantage from generation to generation.

Introduction: U.S. benchmarking data

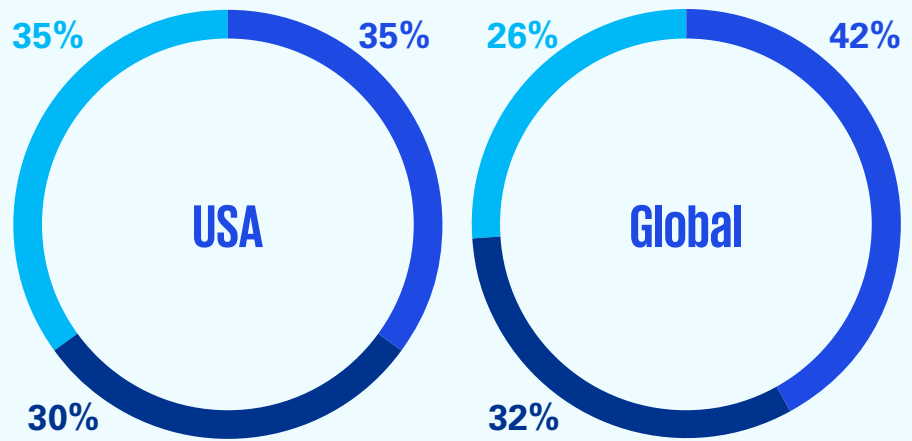
Many family businesses are continuing to successfully navigate the challenges of the pandemic, while also embracing new challenges and opportunities to take their businesses in bold new directions. They are keeping their founder's entrepreneurial spirit alive. And they are developing new capabilities to continuously create value and maintain a sustainable competitive advantage from generation to generation.

The STEP Project Global Consortium and KPMG Private Enterprise came together to explore the reasons behind this "regenerative superpower" of family businesses, with data collected from 2,439 family business leaders in an in-depth survey conducted in 70 countries between September and November 2021.

In this country benchmarking report, we highlight important characteristics of family businesses such as their entrepreneurial capabilities and the family's identification and emotional attachment to the business, which contribute to their financial, social and family performance. This report makes it possible for you to compare your family business characteristics with others in your own country and or jurisdiction as well as those across Europe, the Americas, Asia Pacific and Middle East & Africa.

By comparing your business with others in your country and around the world, you have the opportunity to identify areas for improvement as well as those areas where you may already have a competitive advantage to sustain.

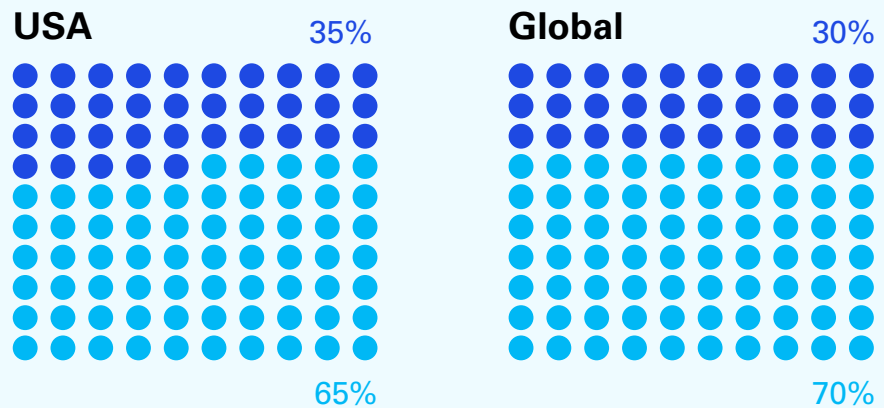
What is the size of your business?



Europe	The Americas	Asia Pacific	Middle East & Africa
42%	48%	33%	31%
34%	30%	30%	46%
24%	22%	37%	23%

■ Small (employees < 50) ■ Medium (50 ≤ employees < 250) ■ Large (employees ≥ 250)

How many businesses do you operate?



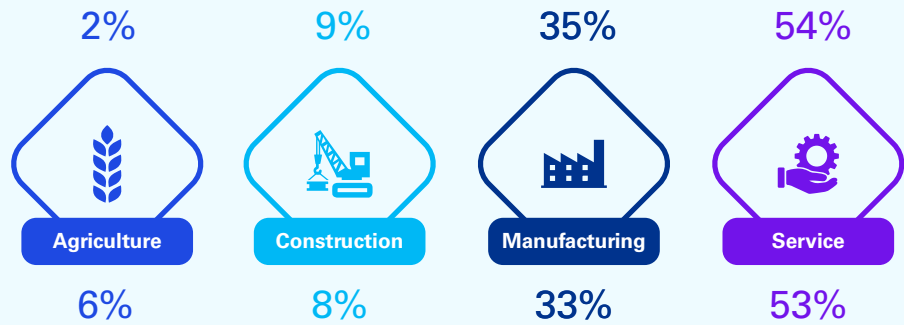
Europe	The Americas	Asia Pacific	Middle East & Africa
25%	37%	29%	28%
75%	63%	71%	72%

● Multi-business ● Mono-business

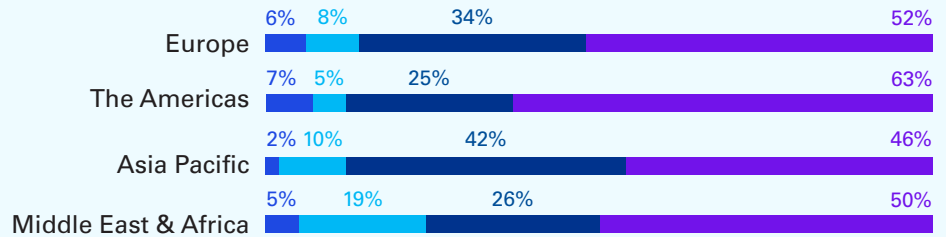
Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

What is the main industry of your business?

USA

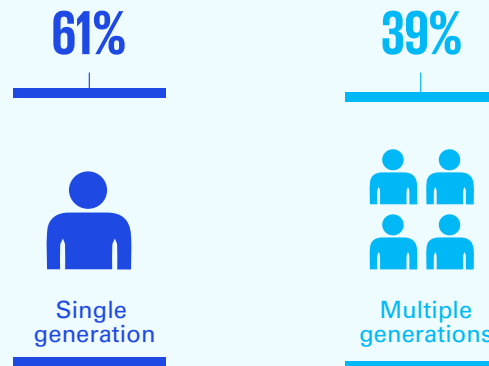


Global

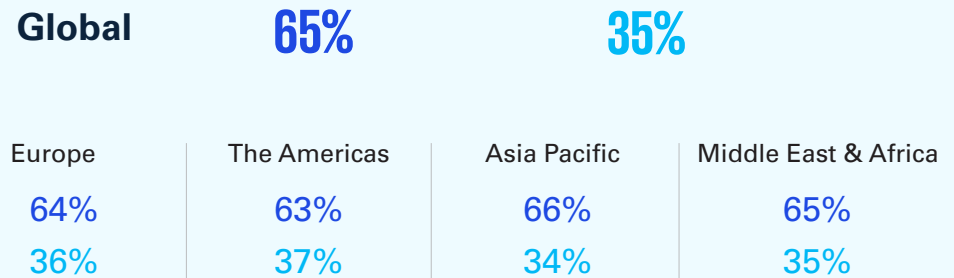


How many generations are currently active in the business?

USA

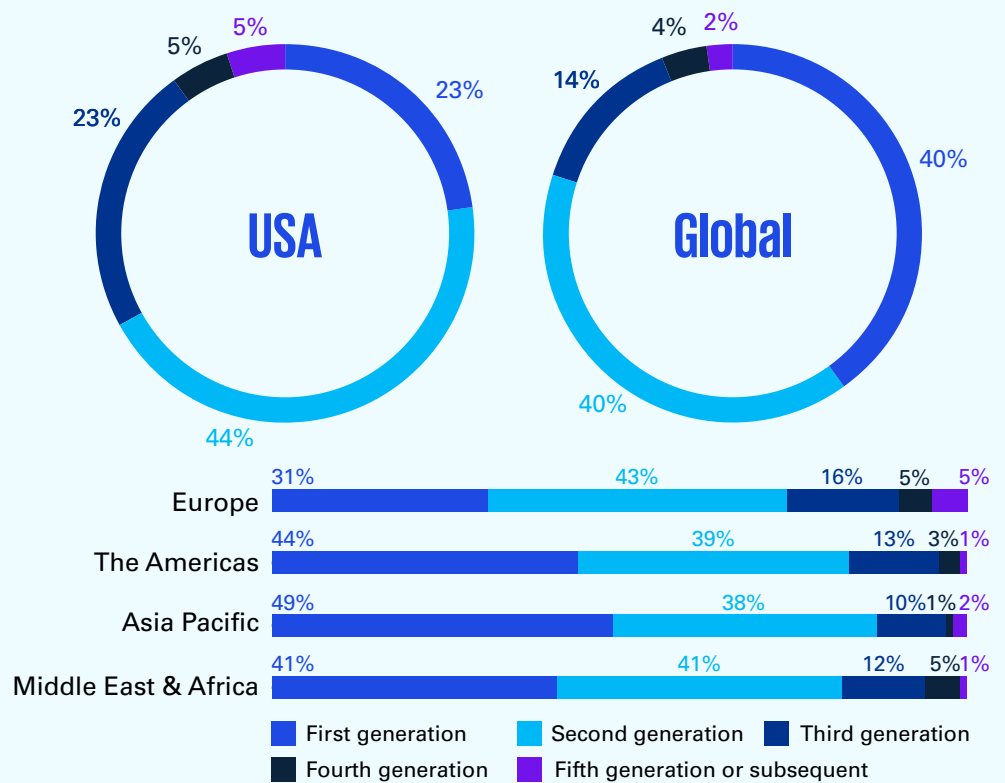


Global

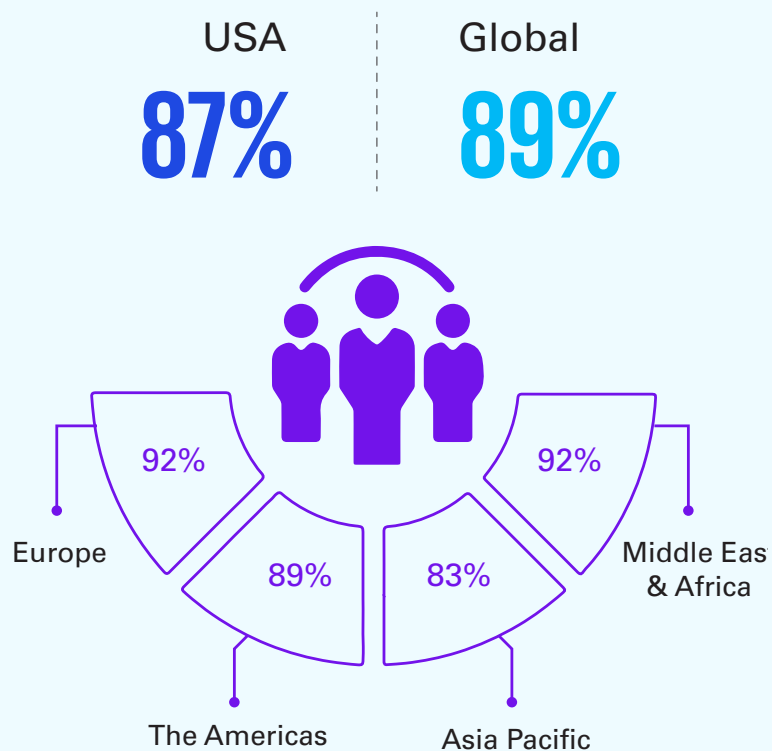


Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

What generation is currently managing the business?

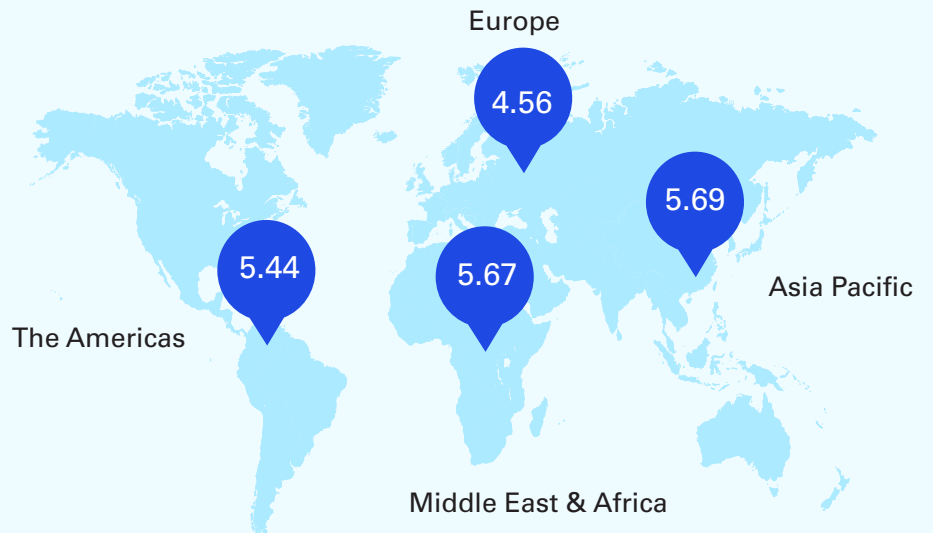


What percentage of the company shares are owned by the family?

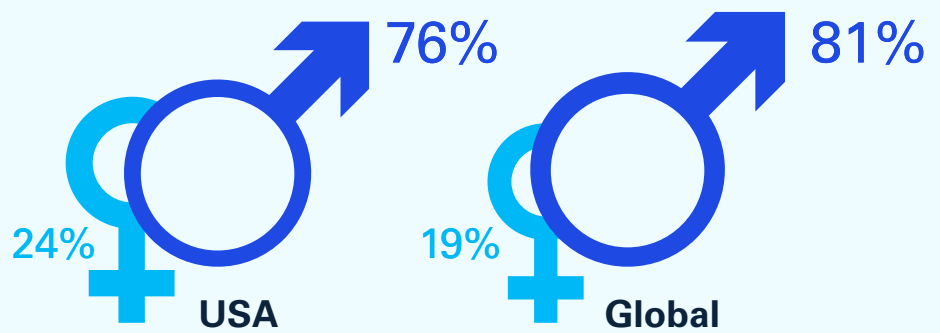


Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

How many individuals in the family (on average) own shares?



What is the gender of the current CEO?



Europe	The Americas	Asia Pacific	Middle East & Africa
82%	75%	86%	84%
18%	25%	14%	16%

■ Male ■ Female

Note: All survey respondents opted to identify themselves as male or female.

Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

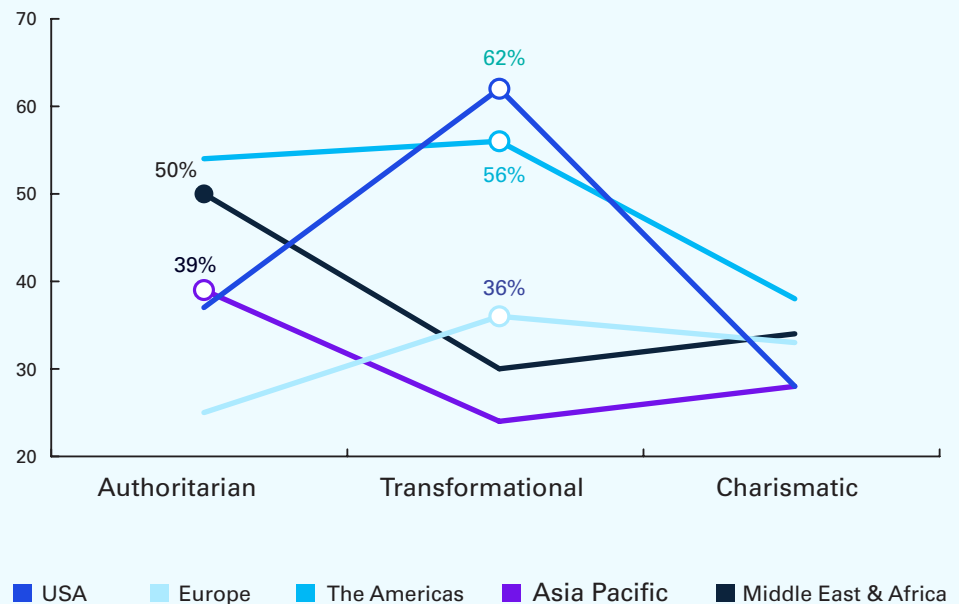
Preferred leadership styles

Leaders have a direct influence on the prevailing culture and strategies of family businesses. No leader has only one style of leading, and it changes depending on the age and stage of the business and the economic, social and business environment.

Three leadership styles and their prevalence in family businesses are highlighted below:

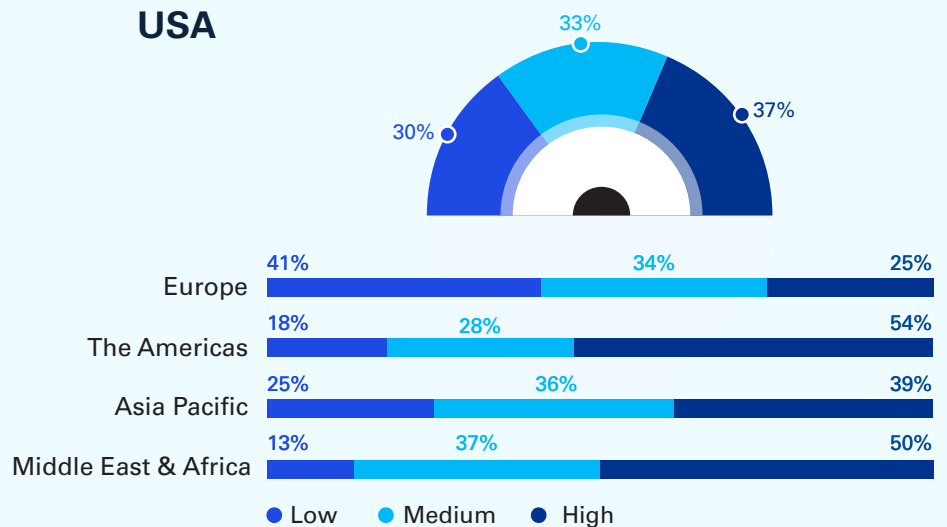
- **Authoritarian**—paternalistic and reflected in powerful authority, consideration for subordinates and moral leadership
- **Transformational**—the ability to transform or change the basic values, beliefs and attitudes of followers so they are willing to perform beyond expectations
- **Charismatic**—the ability to motivate and inspire followers who show trust in the leader, a sense of collective identity and empowerment.

What is the prevalent leadership style in your family businesses?

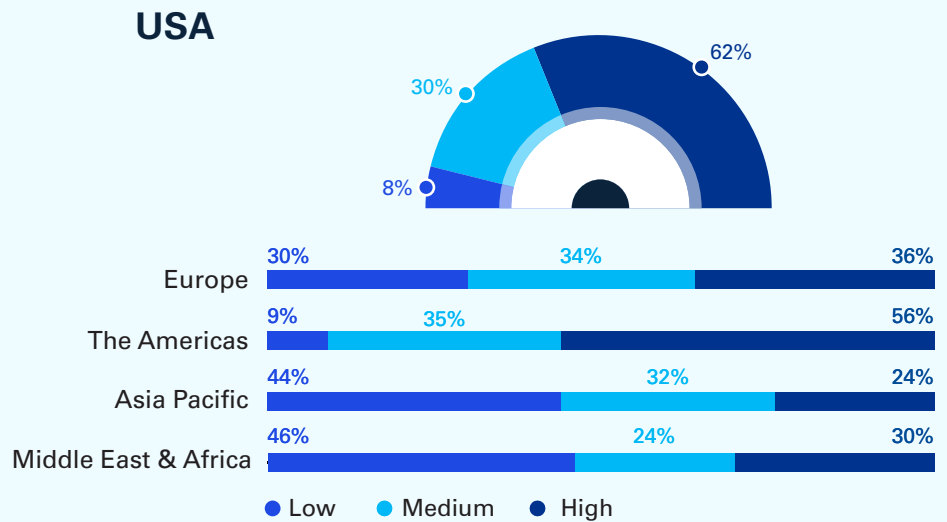


Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

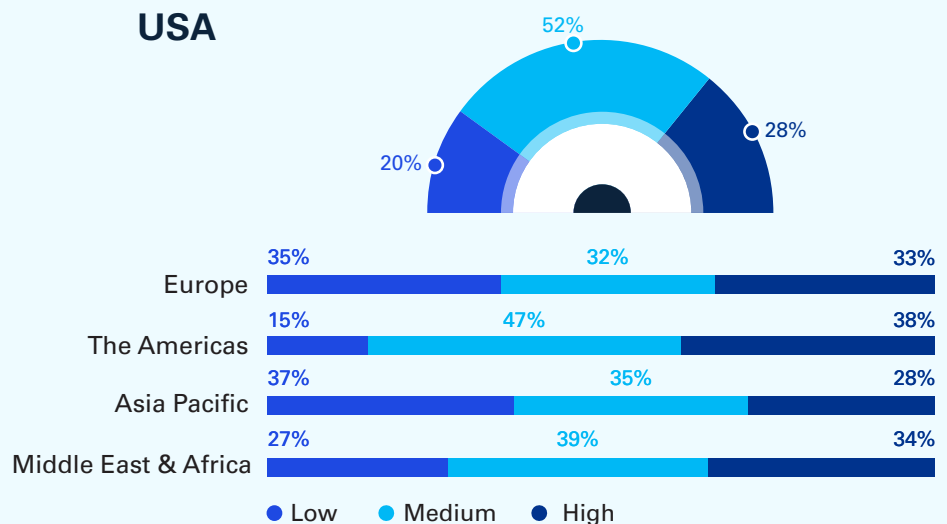
How prevalent is the **authoritarian** leadership style in your family business?



How prevalent is the **transformational** leadership style in your family business?



How prevalent is the **charismatic** leadership style in your family business?



Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

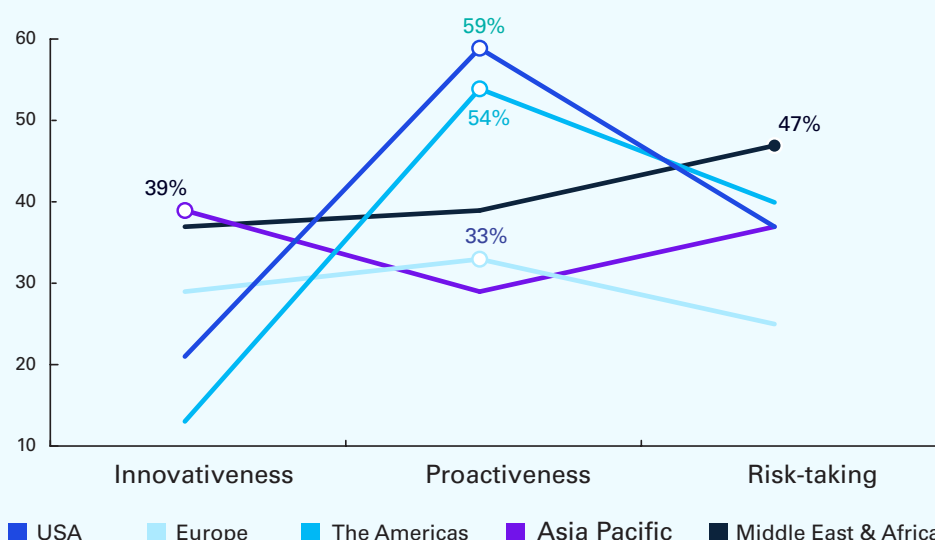
The entrepreneurial capability of family businesses

Continuous entrepreneurialism is a source of sustained competitive advantage in family businesses because it is built on two factors that are difficult to imitate: the capabilities and resources of the family itself and the company's entrepreneurial heritage. Entrepreneurial orientation has three main dimensions:

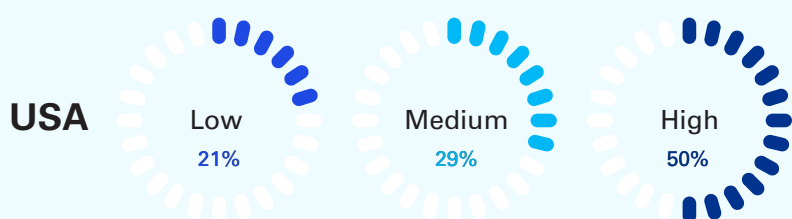
- **Innovativeness**—the propensity to invest in the research and development of new products and services and operating practices
- **Proactiveness**—the ability to seize new opportunities, anticipate future market demand and shape the competitive environment expectations
- **Risk taking**—the company's propensity to take large risks that may also have high potential returns.

Overall levels of entrepreneurialism and in each of the three dimensions are highlighted below.

Entrepreneurial orientation dimensions



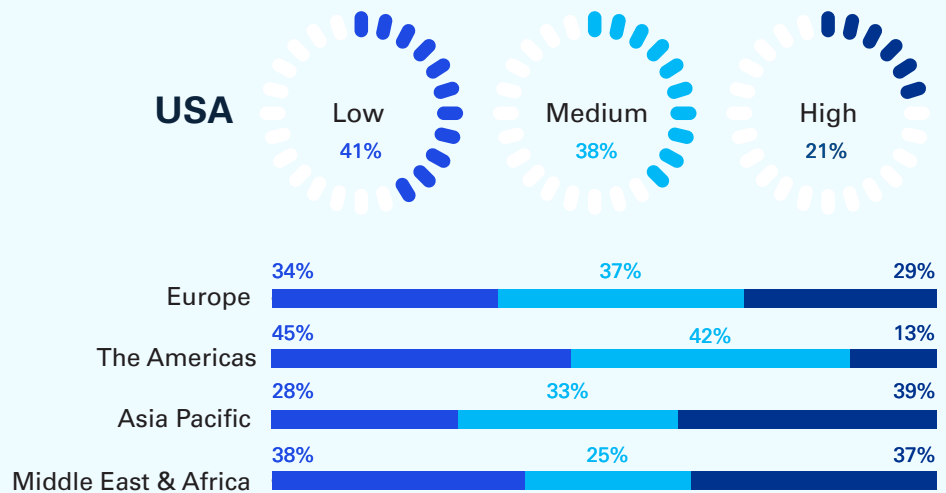
What is the overall level of entrepreneurial orientation in your family business?



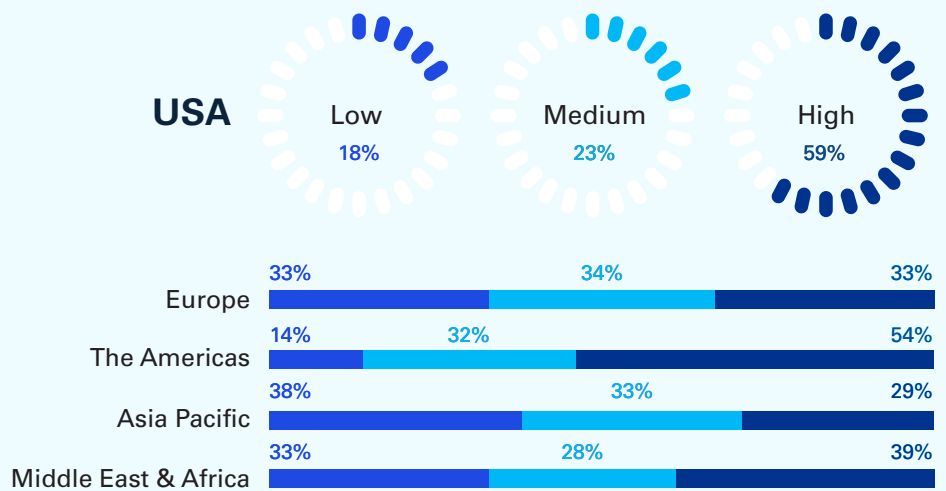
Region	The Americas	Asia Pacific	Middle East & Africa
Europe	15%	30%	32%
	38%	33%	21%
	47%	37%	47%

Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

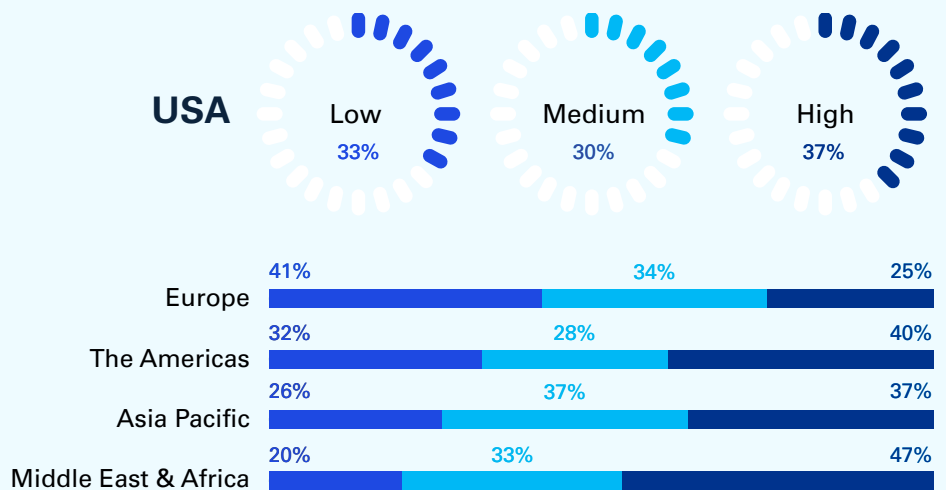
What is the level of **innovativeness** in your family business?



What is the level of **proactiveness** in your family business?



What is the level of **risk taking** in your family business?



Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

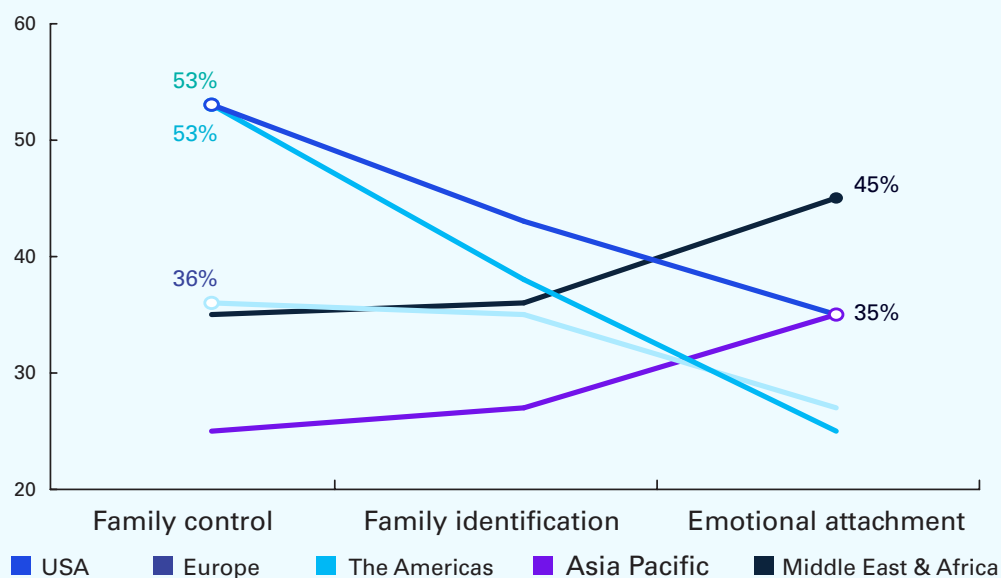
Family control and influence

A second important factor for sustaining continuous entrepreneurship is the family's "socioemotional wealth" – the emotional value that the family derive from owning and managing the business.

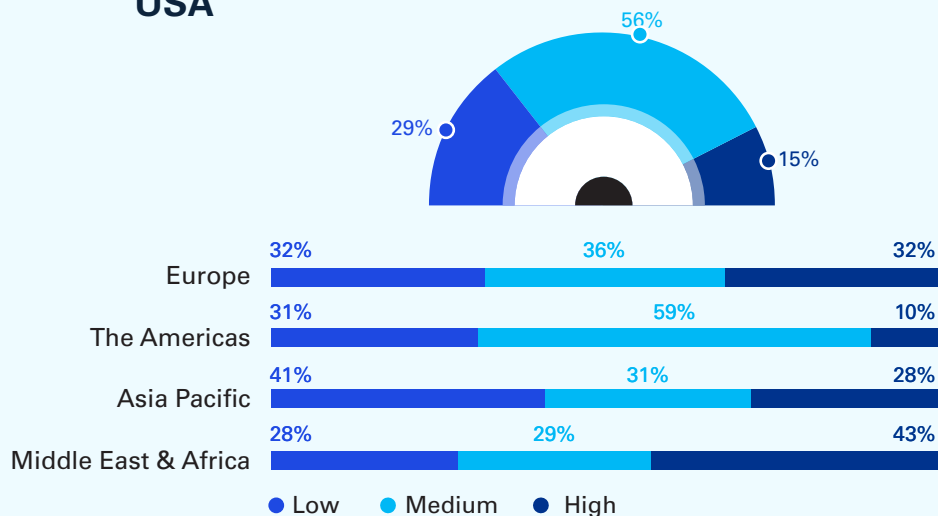
Socioemotional wealth reflects the unique ways in which families look at problems and how their actions might be affected by three important characteristics: the family's **control and influence**, their **identification** with the family business and their **emotional attachment**.

Socioemotional wealth dimensions

What is the overall level of socioemotional wealth in your family business?



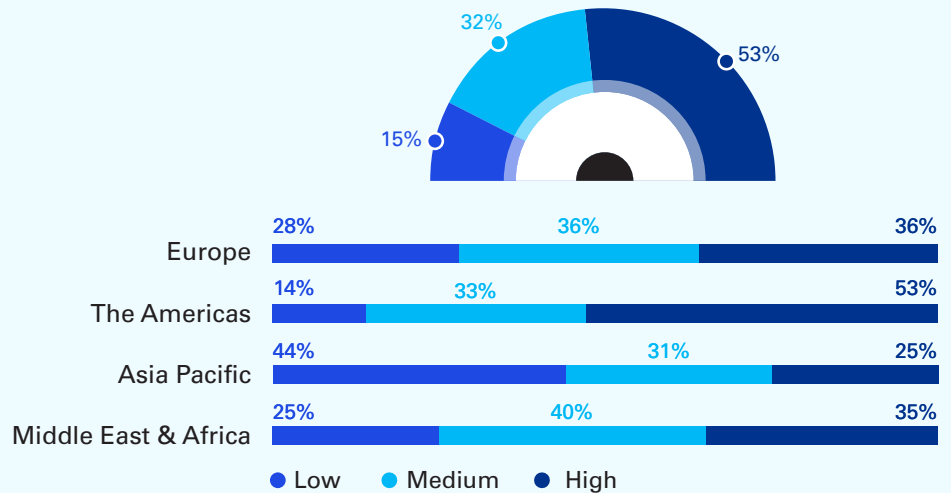
USA



Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

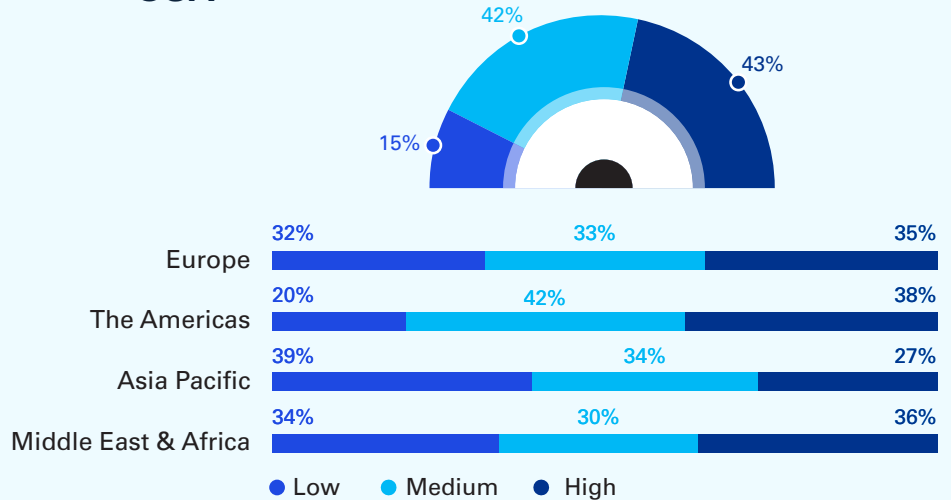
What is the level of family **control and influence** in your business?

USA



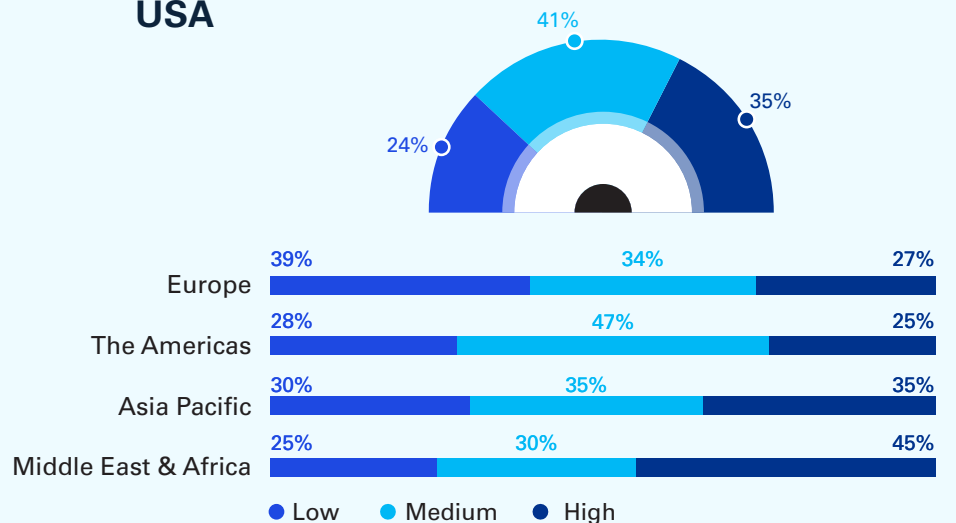
What is the level of your family's **identification** with the business?

USA



What is the level of your family's **emotional attachment** to the business?

USA



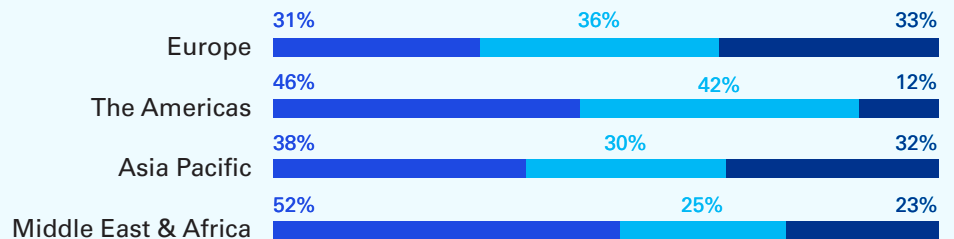
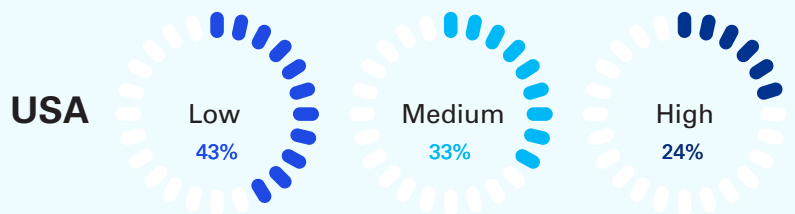
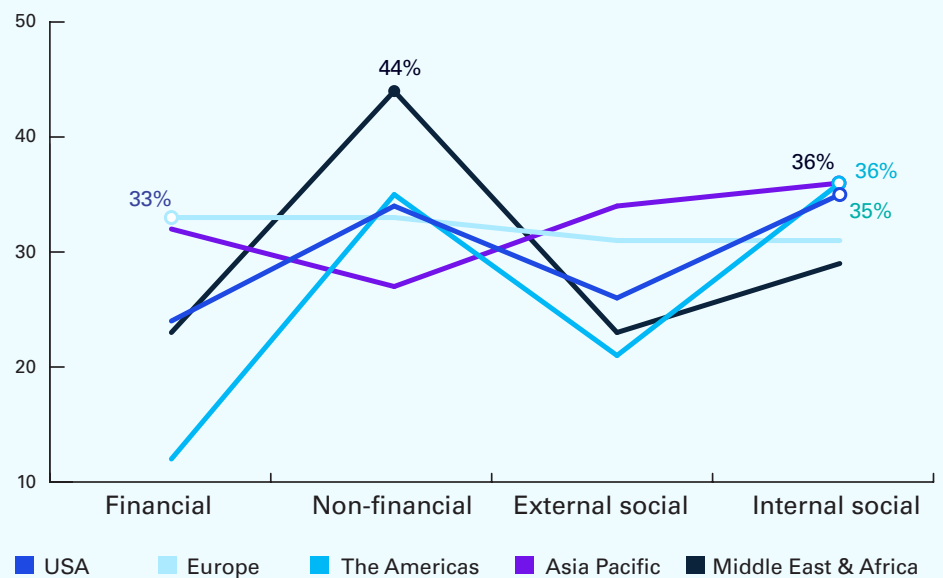
Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

Measures of success

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 that are captured in four areas of performance: **non-financial** (family loyalty and support), **internal social** (such as innovative/diverse hiring practices); **external social** (such as environmental impact); as well as **financial** results.

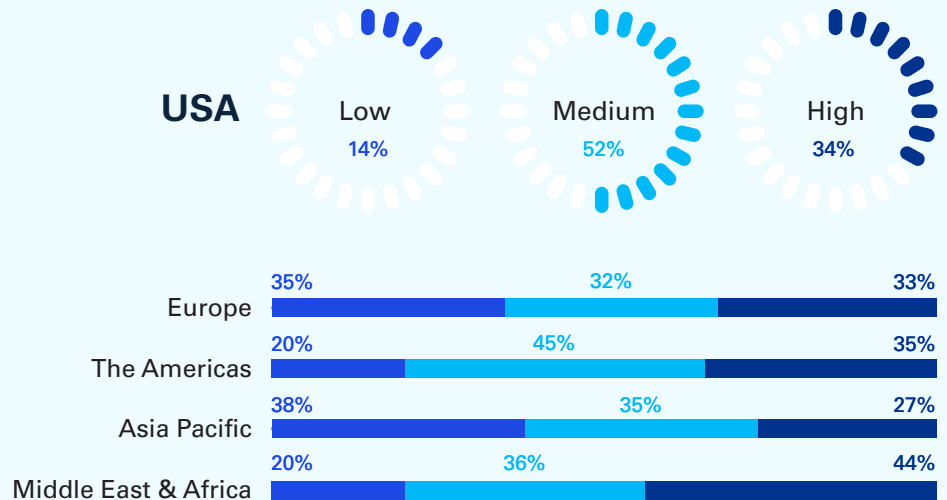
Performance dimensions

What is the level of **financial performance** in your business?

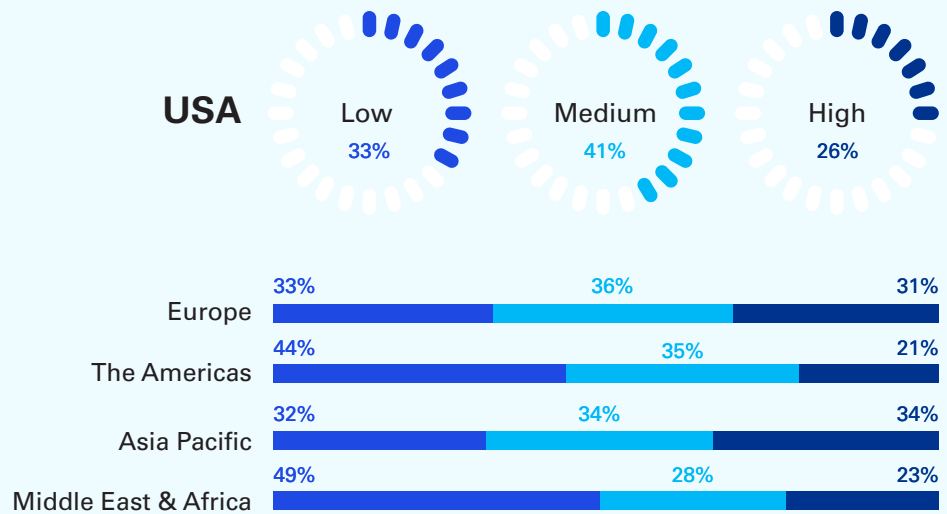


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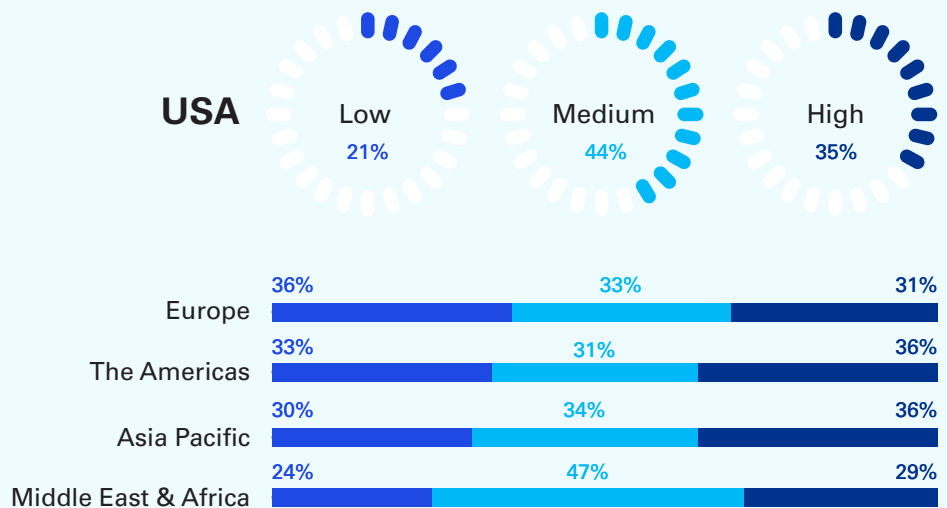
What is the level of **non-financial performance** in your business?



What is the level of **external social performance** in your business?



What is the level of **internal social performance** in your business?

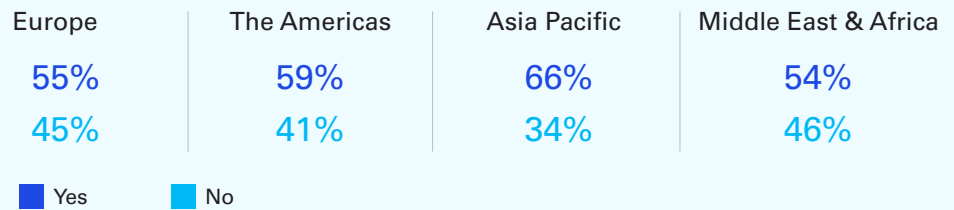
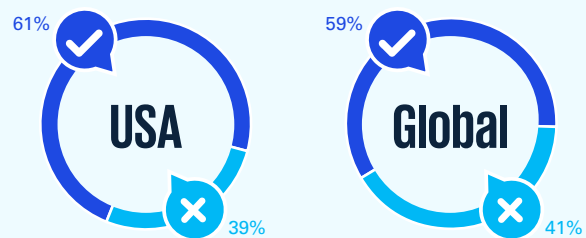


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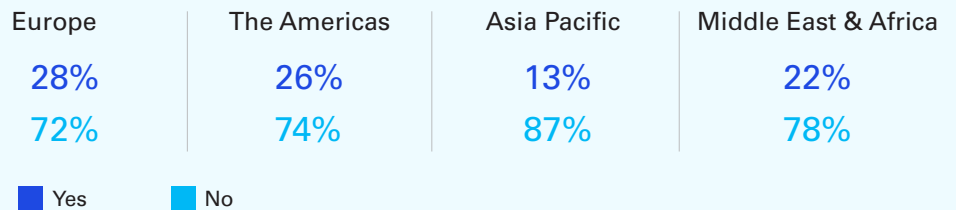
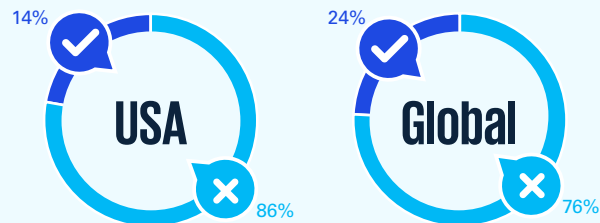
Supporting entrepreneurial capabilities through good governance

Good governance can enhance the entrepreneurial orientation of family businesses by providing the checks and balances needed to exploit new opportunities, while also recognizing and managing potential risks.

Does your family business have a formal board of directors?



Does your family business have a family council?



Source: STEP Project Global Consortium and KPMG Private Enterprise global family business report 2022: The regenerative power of family businesses

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