



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?



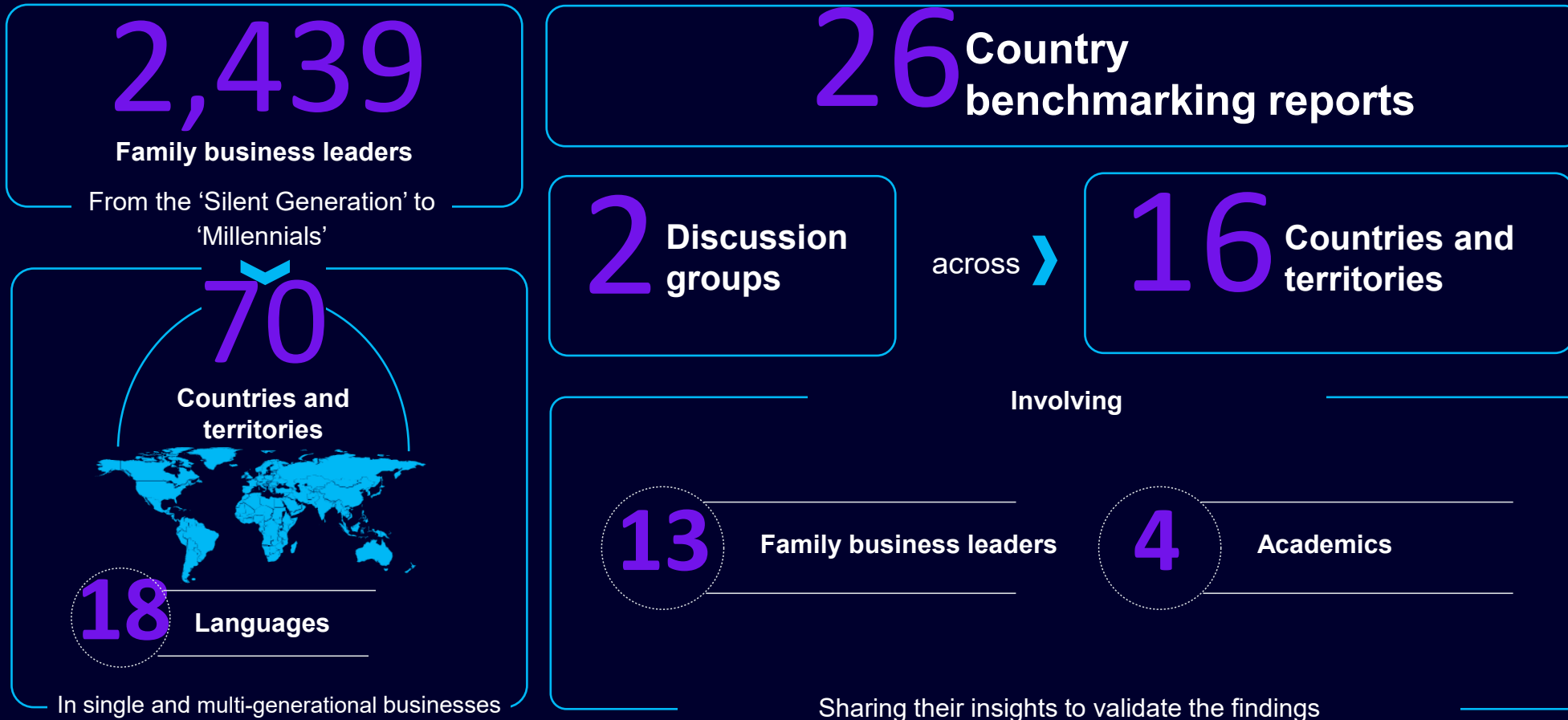
What is the secret to their staying power and their capacity to grow successfully from decade to decade and from generation to generation?



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

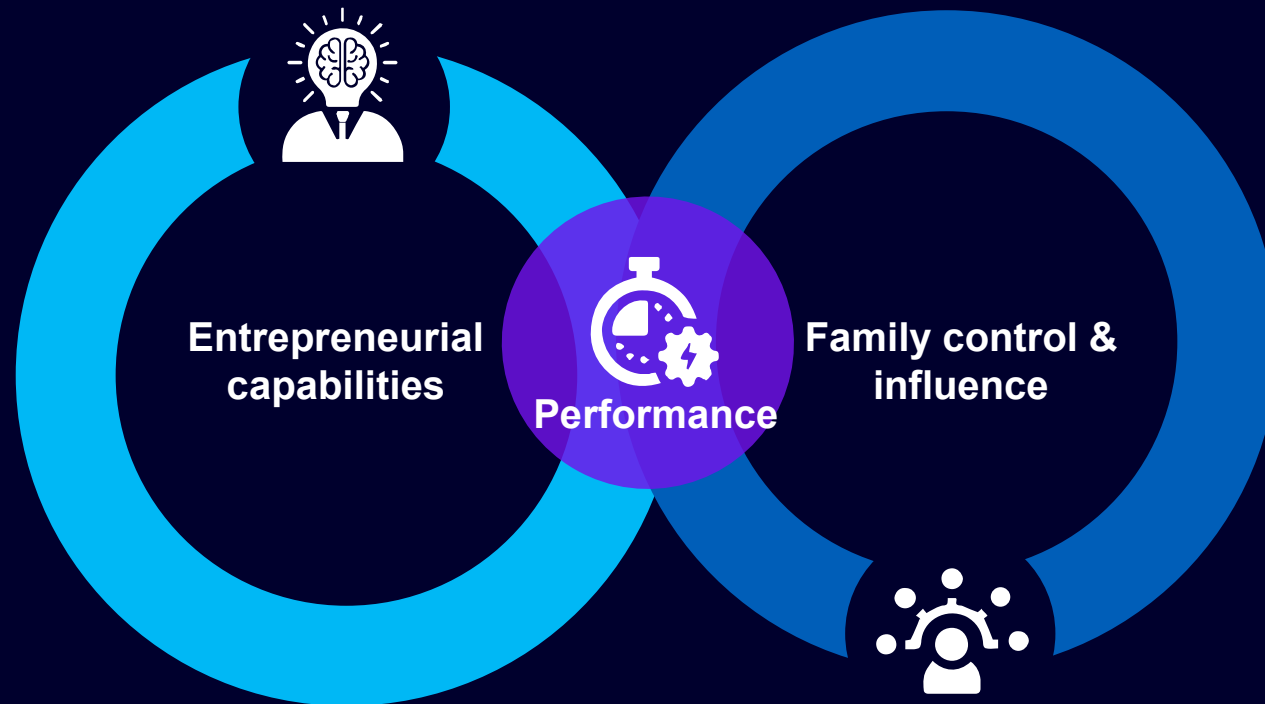
Profile of responses

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.



»» What sets family businesses apart?

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**.

» 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

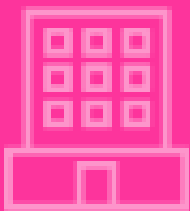
Internal social performance

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

» Four family business performance profiles

Entrepreneurial families

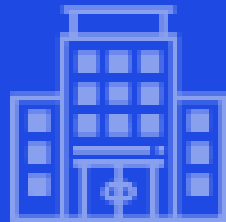
- High entrepreneurial orientation
- High socioemotional wealth



1

Business-first families

- High entrepreneurial orientation
- Low socioemotional wealth



2

Family-first businesses

- Low entrepreneurial orientation
- High socioemotional wealth



3

Underperforming businesses

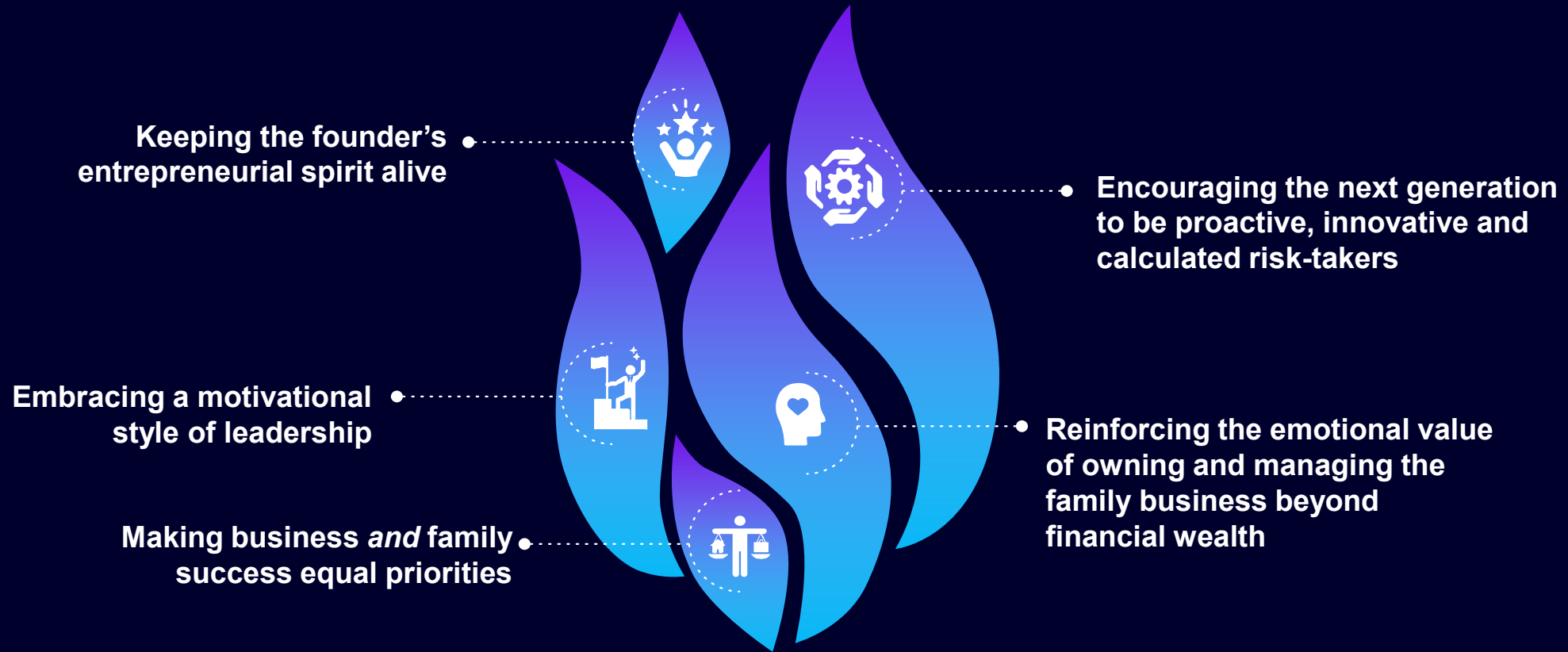
- Low entrepreneurial orientation
- Low socioemotional wealth



4

»» Regenerative superpower

The *fuel* igniting their regenerative power and performance:



» Questions from the start



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