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# What difference does it make if your client is a family business or business family?

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**'It's more than semantics', says KPMG study, which urges advisors to shift mindset**



By [Noelle Boughton](#)

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KPMG's latest survey shows there's a difference between a family business and business family, and how they define success and performance, and it's recommending that advisors start switching mindsets to better serve their clients.

"The study looked at how these multigenerational families continue to be leaders in the market, and it came down to this formula, which was entrepreneurial orientation matched with positive family involvement and control equals strong performance," Daniel Trimarchi, director and national leader of family dynamics and governance at KPMG in Canada told *Wealth Professional*.

"What it highlighted was that financial performance is only one of the four criteria when families are measuring success. So, if we, as advisors, are trying to give our clients good service and help them achieve their version of success, it's imperative for us to know what success means to them."

[KPMG](#) Enterprise's latest Global Family Business Report, *The regenerative power of family businesses: Transgenerational entrepreneurship*, which it conducted with STEP Project Global Consortium, surveyed 2,439 chief executive officers (CEOs) and other leaders from top family businesses across 70 countries and territories, including Canada.

The study showed that, while financial performance is still important, so are non-financial aspects, and internal and external social performance, especially as they impact the family's reputation and legacy.

"These things hold a lot of weight when these families are making decisions, so they have to be factored in. When we talk about external social, it's things like ESG, in the sense of: are we actually supporting communities? Are we being a good corporate citizen? Are we being socially responsible without our community and internally?," said Trimarchi, noting that meant family business owners were also thinking about diversity and inclusion, and the role of their workforce.

"Having those four buckets of performance – financial, non-financial, internal social, and external social – was really powerful to see. If that's how they're defining success, then those who are supporting them on that journey really need to understand that and treat that as the definition of success outside of the more traditional definition of purely success is maximum financial return."

That's where Trimarchi said advisors need to shift mindset: "let's look at these clients, not as family businesses, but instead as business families. While it's a very nuanced thing, we're swapping the word, a family business is a vehicle of wealth, whereas a business family is a family that may have multiple vehicles of wealth because we're seeing an increased diversification."

Trimarchi said KPMG's study also showed that the next generation of [family](#) members were adding to the family's wealth, not just through the business, but other ventures, such as real estate, start-up businesses, crypto, and other financial investments, which is spreading their wealth in more ways.

"So, that mindset shift of focusing on the business family, instead of the family business, allows us, as advisors, to get closer to that definition of success, and therefore be more supportive," he said.

The study also showed that Canadian family businesses ranked very high in terms of entrepreneurial orientation, and they focused on their risk-taking mindset and proactive approach to entrepreneurship. Trimarchi said those are also impacted by economic stage and business age. Canadian family businesses have been a

backbone of the Canadian economy, even though many are only second or third generation wealth. Europe and Asian businesses tend to be more eight-to-ten generation wealth.

The study showed that:

- 53% of Canadian family business leaders surveyed said maintaining the family's control and influence in decision-making and business strategy is the most predominant factor affecting performance versus 37% who cited identification with the family business and 16% who indicated that the family's emotional attachment drives performance
- 54% of Canadian family businesses are highly entrepreneurial, compared to 47% in the Americas, Middle East, and Africa, 37% in Asia Pacific, and 27% in Europe
- 54% of Canadian family businesses identified a high level of risk-taking, outpacing 40% in the Americas, 37% in Asia Pacific, and 25% in Europe
- 41% of Canadian family business leaders surveyed ranked their innovativeness as medium, 40% as low, and only 19% as highly innovative

Trimarchi noted that KPMG's clients are going through a generational change, but also looking to be responsible owners and good wealth stewards rather than just good CEOs and managers.

"We're seeing that mindset shift within Canada, and I think that's something that will continue with the generations," he said.

KPMG is responding to the shift by providing a more integrated, holistic approach, especially within its family office practice, so it's providing the business family with tax, legal, philanthropy, and governance support, but also checking what each sees as important and now defines success. KPMG is also helping clients strengthen those elements, educate the next generation, and incorporate their digital strengths to help them foster the success of the business family's next generation.

"It's much more than semantics," said Trimarchi, "because it's a genuine mindset shift: not just for the advisors, but for the families as well. A lot of the families that I work with find it really helpful to talk through these concepts, so they can better define who they are.

"When you look at the business family, you see the continuity of the entrepreneurial spirit and entrepreneurial orientation that we saw within the survey, mixed with that family control and influence, the family's ability to support and drive

decision-making, and the family's emotional attachment and connection to the business. Those are what perpetuated that long-term success and strong performance," he said, "but there is a generational evolution that's happening."

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