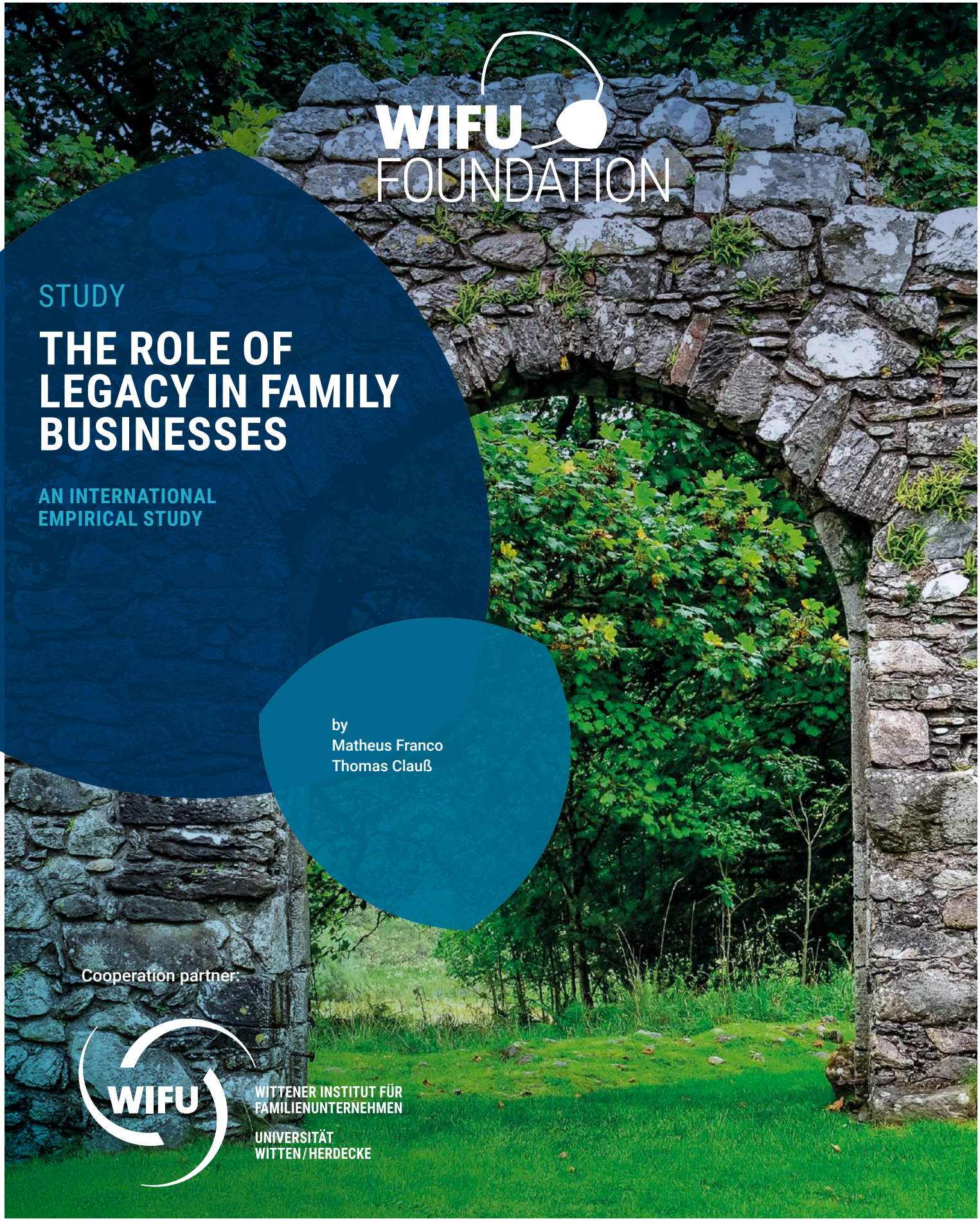

WIFU FOUNDATION

STUDY

THE ROLE OF LEGACY IN FAMILY BUSINESSES

AN INTERNATIONAL EMPIRICAL STUDY

by
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Cooperation partner:

WIFU

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Please note: Where this study includes references to persons in the masculine, these apply equally to persons of any gender.

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CONTENTS

Foreword 4

Executive Summary 5

1 Introduction: Legacy in family businesses 7

2 Conceptual considerations 8

2.1 What is legacy? 8

2.2 Mechanisms for passing on legacy 11

2.3 The triple bottom line as a reference framework for corporate success 14

3 Study overview 17

3.1 Data basis and sample 17

3.2 Variables measurement 18

3.3 Analysis strategy 18

4 Results of the study 20

4.1 What characteristics of the legacy dimensions exist in family businesses? 20

4.2 What effects does legacy have on sustainable corporate success? 25

4.3 What mechanism explains the connection between legacy and sustainable corporate success? 27

4.4 What types of legacy exist in family businesses? 30

5 Recommendations 33

6 Conclusion 35

7 Appendix 36

8 Bibliography 40

9 List of figures & tables 42

Contact 43

FOREWORD

Family businesses are characterised by their long-term orientation. The frequently used term "grandchild capability" describes the desire to pass on a vital, healthy business to future generations. However, this desire is not limited to the physical business; it also encompasses questions about what other legacy one would like to leave to this generation. How do we preserve what has made our family and our company strong over generations? Which values should be retained? How can we ensure that the family remains connected to the company? But also: how can we prevent tradition from hindering innovation?

In many family businesses, passing on the legacy is no longer a distant prospect, but an urgent issue. Germany is facing a wave of business succession. Hundreds of thousands of companies are planning to hand over the reins by 2027, with a growing search for viable solutions. Against this backdrop, a solid foundation is needed to transmit values, responsibility, and ownership in a way that enables companies to act in the long term without compromising their legacy.

This is where our study comes in. Based on international data, we analyse legacy in the practice of family businesses. We provide you with a nuanced picture of what legacy is and how it influences the sustainable success of the company. Our approach is practical. We want to raise your awareness of the importance of legacy and provide you with a framework for structured discussions – from early succession planning, documenting the company's values, and developing your family constitution to legal inheritance issues. This study is intended to guide discussions, not replace them. We invite you to reflect on the findings in your specific context – among shareholders, on the advisory board, and in top management.

Matheus Franco

Thomas Clauß

We associate this study with a twofold concern: first, to understand legacy not as nostalgia, but as a transmission mechanism for grandchild capability – that is, for companies that are economically strong and at the same time bear social and ecological responsibility. Those who consciously balance legacy with early involvement of the next generation strengthen performance, resilience, and social impact in equal measure. Second, to deepen the dialogue between science and practice. The correlations reported here are statistically robust – at the same time, they invite reflection in one's own context.

Witten, August 2025
Matheus Franco and Thomas Clauß

EXECUTIVE SUMMARY

Family businesses that have been successful for generations combine entrepreneurial success with a legacy that goes far beyond the mere transfer of assets. This legacy encompasses values, norms, actions, and structures passed down from one generation to the next and decisively influences strategic orientation. Legacy has three dimensions: social, biological, and material. Legacy differs from tradition. While tradition is primarily oriented toward the past, legacy concerns what should be carried forward from the present into the future. But how exactly does legacy affect sustainable business success? What forms of legacy promote the economic, social, and ecological success of companies? We examined these questions empirically based on data from the STEP Project Global Consortium[1], which includes more than 2,000 family businesses from 71 countries.

KEY FINDINGS OF THE STUDY

How important is legacy?

Our results show that all family businesses are shaped by legacy – whether in material, biological, or social form. Legacy acts as an invisible thread that connects generations and, at the same time, represents a key control variable for strategic decisions.

Conclusion: Legacy is not a marginal phenomenon but a universal influence on family businesses worldwide.

How do the dimensions of legacy work?[2]

- **Social legacy** – the passing on of values, norms, and narratives – correlates strongly with above-average social (+ 19.9 % above the mean) and ecological (+ 11.8 %) business success.
- **Biological legacy** – the expectation of succession within the family – ensures continuity, but can lead to risk aversion and slow down environmental or social investments. Statistically, it has no significant effect on the dimensions of corporate success.
- **Material legacy** – the transfer of assets and property – stabilises the economic basis, but carries the risk that financial goals will be disproportionately prioritised and other dimensions of sustainable corporate success will fall behind. Viewed in isolation, material legacy reduces social success sustainability (– 7.2 % below the mean). Contrary to intuition, it also leads to weaker economic success than companies with a stronger social legacy (– 4 %).

Conclusion: Every form of legacy presents specific opportunities and risks. The key is to consciously balance them. Social legacy is particularly effective. It not only strengthens social and ecological corporate success but also promotes economic success.

What role does the next generation play?

Family businesses that involve the next generation in decision-making processes at an early stage achieve significantly better results in all three dimensions of sustainable business success: + 2.8 % economically, + 6.4 % socially, and + 5.4 % ecologically. Younger successors act as a bridge between the past and the future. They preserve traditional values while also bringing new ideas to the table – especially in the areas of sustainability and digitalisation.

Social legacy, in particular, promotes the active involvement of successors (+ 11.4 %), whereas biological legacy also has a positive, albeit smaller, effect (+ 2.8 %). Material legacy, on the other hand, has no significant influence on the involvement of successors.

Conclusion: Involving the next generation is a key lever for turning legacy into a resource rather than a burden. Above all, passing on values and stories creates fertile ground for sustainable business success.

[1] See https://www.spgcfb.org.
[2] All results presented here are statistically significant ($p < 0.05$).

What types of legacy exist in family businesses – and what effect do they have?

Our cluster analysis shows six typical combinations of legacy dimensions, each with clearly distinguishable profiles in the dimensions of sustainable business success:

- Value preservers have exclusively high social legacy. Their success is above average in social (+ 0.8 %) and ecological (+ 6.4 %) terms, but weaker in economic terms (– 6.8 %).
- Property preservers have exclusively high material legacy. They are below average in all dimensions of sustainable corporate success (–23.1 % social, –12.6 % ecological, –5.6 % economic).
- Responsible owners combine high social and material legacies. This enables them to achieve above-average results in all three dimensions of sustainable corporate success (+8.7 % social, +4.8 % ecological, +3.2 % economic).
- Family value preservers combine a strong social and biological legacy. They are particularly successful in the social (+12.3 %) and ecological (+9.1 %) dimensions of sustainable business success.
- Family property preservers have a high biological and material legacy. This legacy is accompanied by significant deficits in all dimensions of sustainable corporate success (–19.0 % social, –12.2 % ecological, –3.2 % economic).
- Holistic owners show high scores in all legacy dimensions and also perform well above average in terms of sustainable corporate success (+10.3 % social, +6.4 % ecological, +3.2 % economic).

Conclusion: A balance in legacy beats one-sidedness. A sole focus on material legacy is associated with the poorest outcomes. Social legacy is the strongest individual performance driver, but it exerts its full effect only when combined with material legacy. Companies that combine social values (vision, meaning, identity) with assets (structures, stability) achieve the best economic results – and at the same time secure top positions in social and ecological terms.

OVERALL CONCLUSION

The study shows that legacy is a key mechanism for explaining the heterogeneity in the performance of family businesses. It determines whether economic, social, and environmental potential is exploited or blocked. Legacy can have both unintended and intended consequences.

In practice, this means that entrepreneurial families should actively reflect on their legacy and use it as a strategic compass. A shared understanding of legacy promotes orientation, reduces conflicts, and unlocks potential – economically, socially, and environmentally. In this way, legacy transforms from a mere inheritance into a tool for shaping sustainable business practices. In this study, we present a series of elements for dealing with the different types of legacy to support you in this process.

1 | INTRODUCTION: LEGACY IN FAMILY BUSINESSES

"What you leave behind is not what is engraved in stone monuments, but what is woven into the lives of others." — Pericles (Flicker to Flame, Jeffrey Thompson Parker, October 2006)

Imagine the following scenario: a family business, successfully operating in mechanical engineering for four generations, is at a crossroads. The founder laid the foundation with a credo of uncompromising product quality and financial stability. The successors expanded the company with a deep sense of responsibility for the workforce and the home region. Now the next generation is ready to take over, and with it come new questions. Is it enough to maintain financial and social stability when global supply chains and climate change are placing radically new demands on the company's environmental contributions? Is adhering to the founders' values a guarantee for the future or a shackle that prevents necessary innovation? This entrepreneurial test is not an isolated case. It reveals the central force at work in family businesses: legacy.

Legacy is the invisible thread that connects generations. But it is much more than just a look in the rearview mirror. It is an active, creative process that significantly shapes the strategic direction of family businesses. Often cited as a core characteristic of family businesses, the term nevertheless remains vague and its effect ambiguous. On the one hand, legacy can act as an anchor to the past, promoting risk aversion and resistance to change, thus inhibiting innovation and engagement with social and environmental issues. On the other hand, it can serve as a compass for the future, enabling a long-term vision, promoting bold decisions, and ensuring the family business's ability to thrive for the next generations.

This ambiguity highlights the importance for family businesses to better understand the dimensions, mechanisms, and influence of legacy on strategic decisions and business success. Interestingly, there are no detailed findings on the impact of legacy in research to date. In addition, the concept of legacy has been difficult to grasp and thus eludes targeted management. Although legacy is present in all family businesses, it is not usually consciously reflected upon or developed. This study examines the concept of legacy and its influence on the performance of family businesses. This study answers key questions: what is legacy, and what are its dimensions? How are the dimensions of legacy expressed in family businesses, and what differences exist? How do different expressions of legacy influence the economic, ecological, and social success of family businesses?

We examine these questions empirically based on data from the 2024 international annual survey conducted by the STEP Project Global Consortium. The results from 2,145 family businesses illustrate the importance of legacy and reveal significant implications for action for family entrepreneurs.

[3] See Radu-Lefebvre et al. (2024).

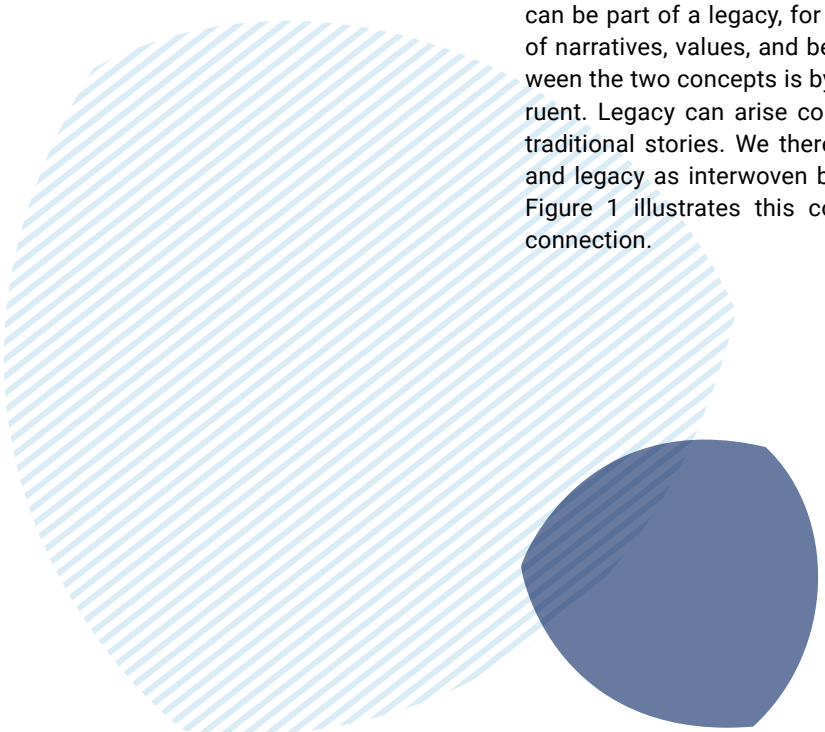
2 | CONCEPTUAL CONSIDERATIONS

2.1 | WHAT IS LEGACY?

To understand the concept of legacy, it is useful to distinguish it from closely related concepts, particularly tradition. Tradition refers to a network of belief patterns, customs, and symbolic practices that are passed down from generation to generation.[4] Tradition consists of two interrelated dimensions: (1) an objective component, understood as history "as it really was", in the sense of a collective history; and (2) a subjective component, in which the past is narrated and interpreted from the perspective of the present.[5] Tradition thus encompasses both the "what" (i.e., the historical facts) and the "how" (i.e., the narrative transmission). Accordingly, although tradition is linked to objective artefacts such as documentation, images, and the physical components of the company, its present and future effect can be influenced by interpretation and meaning-making. Managers, therefore, have an active role to play in selecting and communicating narratives.

In this way, tradition can remain subjectively unchanged despite significant objective changes within the company when a sense of continuity is created through deliberate narrative selection. This process is comparable to the so-called Theseus paradox, which describes a historical case from ancient Greece in which a famous ship is replaced plank by plank over time until no original parts remain. Although objectively nothing of the original ship remains, it is still regarded as the same. Conversely, analogous to the "Chinese whispers" principle, tradition can change in small, barely noticeable steps during transmission and subjective interpretation, even without its objective basis changing. We therefore understand tradition as a narrative design tool for family-run businesses that filters the past through the lens of the present and strategically integrates it into organisational storytelling.

Legacy, on the other hand, points in the opposite direction in time. It is not primarily about interpreting the past, but about the question of what should be carried from the present into the future. Even though tradition can be part of a legacy, for example, as a component of narratives, values, and beliefs, the relationship between the two concepts is by no means linear or congruent. Legacy can arise completely independently of traditional stories. We therefore understand tradition and legacy as interwoven but independent concepts. Figure 1 illustrates this conceptual distinction and connection.



[4] See Shils (1981).
[5] See Suddaby et al. (2020).

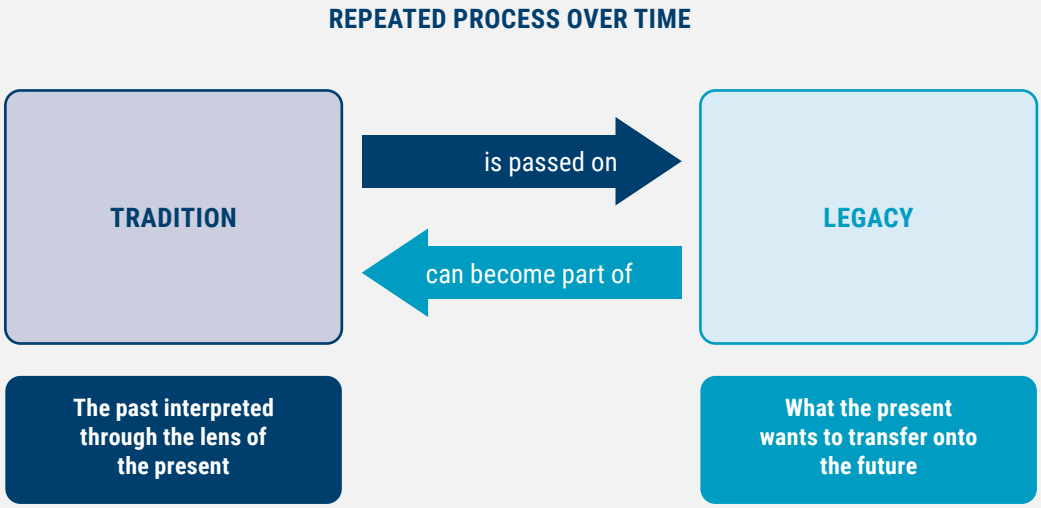


Figure 1: The relationship between tradition and legacy

From a scientific perspective, legacy describes a "lasting significance associated with the identity of an individual actor, typically reflected in actions whose effects unfold after the actor's active period, or manifest themselves permanently in the cognitions, emotions, and behaviours of those who remain".[6] It is a conscious act of transfer: an individual, the so-called legacy sender, wants to create something lasting that will continue to exist beyond their own personal effectiveness. According to the definition, this continuity can consist either of effects that occur after the legacy sender's work has ended or of the meaning carried on by subsequent individuals.

The transfer process of the legacy comprises three components: the actions of the sender, the mechanisms and artefacts employed (e.g., symbolic gestures, decisions, structures), and the interpretation and appropriation by the recipient. In family logic, this, over time, results in a collective family legacy whose impact reverberates across generations. Because it is internalised by family members, the family legacy influences the long-term orientation and strategic decisions of the company. Figure 2 illustrates the dynamic interaction among the individual legacy sender, the transfer mechanisms employed, and the family's collective appropriation, from which the family legacy emerges over time.

[6] See Fox et al. (2024), p. 2.

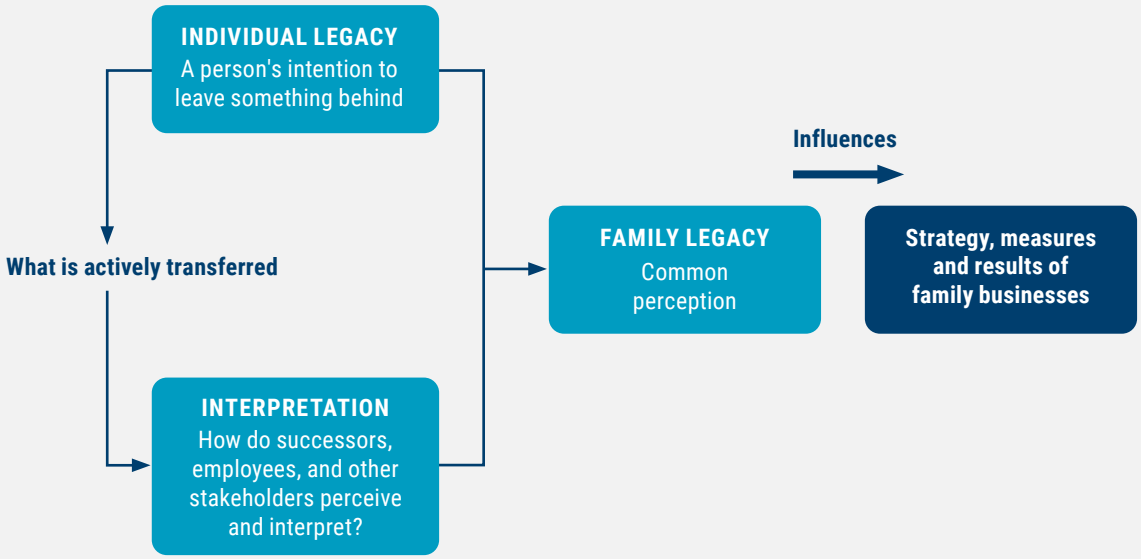


Figure 2: The development of family legacy

Previous studies show that such legacy processes shape the behaviour of family businesses in several ways. For example, the desire to pass on a positive legacy and preserve the family's reputation often motivates greater social and environmental commitment.[7] At the same time, the founder's values and strategic decisions can be so deeply embedded in the company that a pronounced path dependency arises, which offers stability but makes necessary adjustments, especially transformations, more difficult.[8] This influence can often be paradoxical, especially in innovation: while legacy can inspire new ventures, clinging too rigidly to the past impedes change.[9] Ultimately, legacy shapes organisational identity and, if successors reinterpret it in an entrepreneurial way, can become the basis for strategic renewal.[10]

To develop a deeper understanding of the mechanisms of legacy, this study draws on the differentiated typology of Hammond et al. (2016), which divides legacy into three ideal-typical dimensions: social, biological, and material.[11]

- **Social legacy** refers to the transfer of intangible resources such as values, norms, beliefs, role models, and moral principles. It manifests itself, for example, in the expectation that subsequent generations will adopt certain attitudes, for example

[7] See Hsueh et al. (2023); Strike et al. (2015); Gómez-Mejía et al. (2025).
[8] See Erdogan et al. (2020); Bammens & Hünermund (2020).
[9] See De Massis et al. (2016).
[10] See Jaskiewicz et al. (2015).
[11] See Hammond et al. (2016).

with regard to leadership responsibility, integrity, or a focus on the common good.[12] Social legacy, therefore, encompasses questions such as how the company treats its employees, business partners, and the environment, and what responsibilities it assumes toward these groups. It also determines the value attached to the company's non-economic contributions, such as philanthropic engagement.

- **Biological legacy** refers to biological descent and the preservation of the family name and bloodline across generations. It includes the implicit or explicit expectation that descendants will take over not only ownership but also responsibility for the company. This form manifests itself in transgenerational intention and the conscious planning and implementation of corporate succession within the family.

- **Material legacy** encompasses the goal of transferring physical assets, such as the company itself, real estate, or other capital investments, to the next generation. Here, economic stability and continuity of ownership are paramount. This form of legacy is not to be understood solely in financial terms; it is closely linked to symbolic meanings. Transferring a share of the company can be an expression of trust, responsibility, or status.

2.2 | MECHANISMS FOR PASSING ON LEGACY

Family businesses face the challenge of shaping their legacy in ways that ensure the long-term survival of the company, the cohesion of the family, and the company's contribution to society. However, legacy does not arise automatically; it is consciously shaped and passed on through specific mechanisms within the family and the company, and at their interfaces.

Research[13] and intensive discussions with family entrepreneurs show that the various dimensions of legacy can be conveyed through specific design mechanisms. The transmission of social legacy is primarily concerned with passing on values and norms, and only secondarily manifests in concrete activities. It takes place primarily through symbolic mechanisms: family chronicles, storybooks, biographical narratives, rituals, and shared spaces for reflection serve as vehicles for social imprinting. The targeted use of storytelling as an educational and management tool is a central element. Mechanisms such as the appointment of family members to management positions are typical instruments of biological legacy. Thus, the transfer of biological legacy encompasses all mechanisms of succession management. The transfer of material legacy takes place primarily in the legal sphere. It is carried out through inheritance arrangements, trust structures, or inter vivos gifts, accompanied by governance structures designed to safeguard the family's interests while protecting the company from internal conflicts. In Germany in particular, the transfer of corporate assets to a foundation is also a possible measure for securing material legacy, but this may not be consistent with the preservation of other legacy dimensions.[14]

The following table summarises key mechanisms for shaping legacy, shows how they work, and illustrates what entrepreneurial families should do and what they should avoid. It thus serves as a guide for taking advantage of opportunities for active legacy shaping and avoiding typical pitfalls.

[12] See Hammond et al. (2016).
[13] See Hammond et al. (2016); Radu-Lefebvre et al. (2024).
[14] See Schiffer (2020).

	Mechanism	Specific measures	Dos	Don'ts
SOCIAL LEGACY	**Primary socialisation**	Early influence through family values, role models, and stories	Involve children in family traditions and everyday business life in a playful way	Do not overwhelm children or push them toward a single career path
	Role model	Learning by imitating respected family members	Exemplify integrity, entrepreneurial spirit, and resilience	Do not model behaviour that inhibits innovation or diversity
	Storytelling & family storybook	Stories and narratives convey identity; a story-book as an artefact ensures continuity	Document and reinterpret founder and family stories	Do not romanticise the past or use it as rigid dogma
	Secondary socialisation	Convey values through corporate culture and routines	Visibly anchor values in everyday life	Do not assume that culture works "auto-matically"
	Mentoring & coaching	Support from experienced family and non-family members	Include a variety of mentors, including external ones	No one-sided or dis-criminatory mentor selection (e.g., gender, role)
BIOLOGICAL LEGACY	**Strategic training**	Targeted training of successors in areas of knowledge relevant to the company	Tailor training to company needs and personal interests	Do not exploit education purely as a means of entering the company
	Early involvement	Integration of the next generation into management and decision-making processes	Early involvement appropriate to the role	Involve children not solely on the basis of biology, but according to suitability
	Succession planning	Organise succession early and transparently	Agree on a succession process (in terms of timing and content) early on, together with successors	Do not leave successors in the dark about plans and/or present them with a fait accompli
	Formalise succession	Regulate succession among shareholders or in a family constitution	Regulate qualification requirements in the family constitution and proceed accordingly	No preferential treat-ment of individuals/ primogeniture

	Mechanism	Specific measures	Dos	Don'ts
MATERIAL LEGACY	**Contracts and rights**	Regulate ownership and voting rights in partnership agreements	Define clear criteria for ownership	Do not keep contracts rigid – neglect adaptation to generational change
	Inheritance rules	Define the legal transfer of ownership within the family	Create and explain transparent, fair inheritance arrangements	No unclear or exclusive inheritance practices
	Foundations	Protecting assets by transferring them to a foundation	Finding a suitable foundation model and clearly linking it to family values and goals	Do not use foundations purely as a tax trick without family integration
	Wealth preservation	Invest assets	Promote diversification and sustainable investments	No clear objectives, undifferentiated investment portfolio

Table 1: Mechanisms for passing on legacy[15]

[15] Own representation based on the findings of Radu-Lefebvre et al. (2024) and extensive discussions with family entrepreneurs at the WIFU Foundation's board meeting on 27 March 2025.

2.3 | THE TRIPLE BOTTOM LINE AS A REFERENCE FRAMEWORK FOR CORPORATE SUCCESS

In an environment of growing global challenges and rising social expectations, the one-dimensional measurement of sustainable business success has become obsolete. Purely financial metrics are increasingly being replaced by the holistic approach of the so-called triple bottom line (TBL). This concept, often summarised as "profit, people, planet", establishes an evaluation framework that considers the economic, social, and ecological performance of a company equally, thus painting a comprehensive picture of its future viability.

A groundbreaking analysis by McKinsey & Company (2023), "The Triple Play", underscores the economic significance of this integrated approach. The study of over 2,000 companies shows that so-called "triple play champions", i.e., companies that simultaneously master growth, profitability, and sustainability, achieve significantly higher value creation than their competitors (see Figure 3). Their annual total shareholder return exceeds that of competitors with purely economic business success by an average of 2 percentage points and that of the market average by up to 7 percentage points. The key finding is that sustainability is not a cost factor that reduces profitability, but an important driver of competitive advantage and long-term success. This integrated approach is particularly relevant for family businesses, as their inherent long-term orientation provides a natural basis for sustainable value creation.

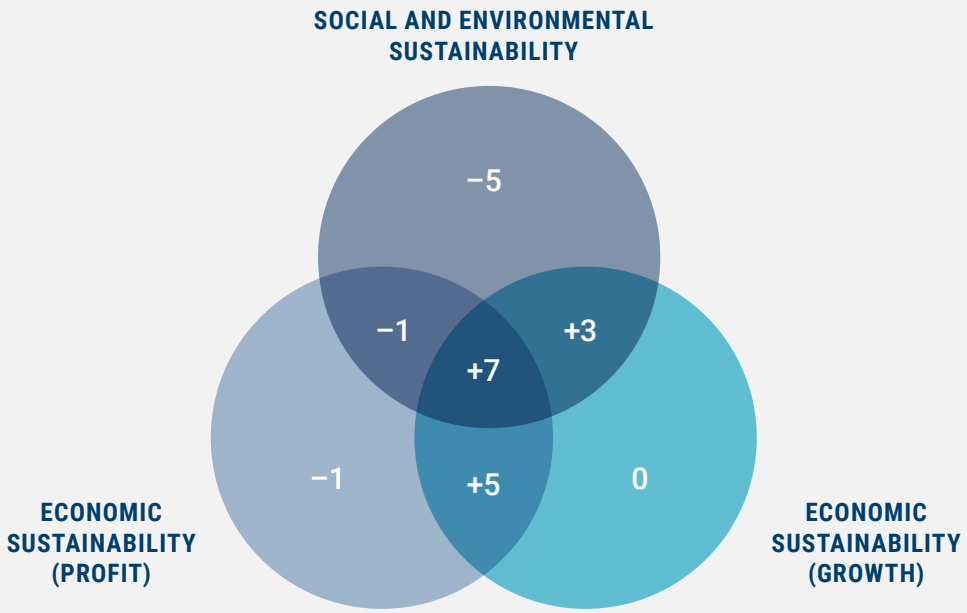


Figure 3: The "triple play" – the connection between social, environmental, and economic sustainability[16]

[16] See McKinsey & Company (2023).

The three dimensions of the TBL can be specified as follows in the context of family businesses:

- **Economic success** ("profit"): This dimension encompasses the financial stability, profitability, and long-term growth of the company as its foundation. For family businesses, securing economic success is not only a business goal but also fundamental to preserving family wealth and transgenerational succession. Without a solid financial basis, investments in social and environmental issues cannot be sustainably realised.[17]

- **Social success** ("people"): This dimension addresses the company's contribution to the well-being of its stakeholders, including employees, customers, suppliers, and society. Close cohesion, personal trust, and strong local commitment can lead to above-average employee retention and an excellent reputation for the company.[18]

- **Ecological success** ("planet"): This dimension refers to the responsible use of natural resources and the minimisation of the ecological footprint. Research shows that family businesses present an ambivalent picture in this regard. While some studies find that family businesses have greater ecological success than non-family businesses,[19] other studies paint the opposite picture.[20] On the one hand, the long-term perspective and reputation awareness of family businesses can lead to proactive environmental engagement in order to secure the livelihoods of future generations.[21] On the other hand, high risk aversion and the prioritisation of socioemotional wealth can inhibit potentially risky, high investments and ecological innovations.[22]

The three pillars of the TBL do not stand alone, but are closely interlinked. Investments in better working conditions (social) can increase productivity (economic), while resource-efficient production processes (ecological) reduce costs (economic) and improve reputation (social). This integrated approach offers a particular opportunity for family businesses. Their long-term orientation and the close link between corporate and family identity create an ideal starting point for understanding and pursuing economic, social, and ecological goals as a whole.

To date, research on family businesses and the TBL has not provided a consistent picture. The most prominent reason for a positive TBL balance sheet is the long-term orientation of family businesses. The desire to pass on a healthy business to the next generation creates a natural incentive for sustainable management.[23] From this perspective, investments in environmental protection or employee welfare are not short-term costs, but strategic measures to secure the long-term "licence to operate". Closely linked to this is the protection of the family name and reputation. Since the reputation of the company is inextricably linked to that of the family, family businesses have a strong vested interest in acting ethically and being socially responsible in order to preserve their good name for future generations.[24] This reputational capital can translate directly into economic benefits such as greater customer loyalty and easier access to capital.

This contrasts with the theory of socioemotional wealth, which paradoxically can explain both positive and negative effects. While protecting socioemotional wealth can lead to responsible behaviour, it can also cause strong risk aversion. Large-scale invest-

[17] See Schneider & Clauß (2020).
[18] See Zellweger et al. (2019); Chrisman et al. (2011).
[19] See Sharma & Sharma (2015); Lorenzen et al. (2024).
[20] See Miroshnychenko et al. (2022).
[21] See Sharma & Sharma (2015); Lorenzen et al. (2024).
[22] See Berrone et al. (2010).
[23] See Le Breton-Miller & Miller (2006).
[24] See Cennamo et al. (2012); Berrone et al. (2010).

ments in disruptive green technologies or comprehensive social programmes may be perceived as a threat to the family wealth accumulated over generations and therefore avoided.[25] Furthermore, focusing on the family can lead to the interests of non-family stakeholders – such as wider society or the environment – taking a back seat to those of the family.[26] This can manifest as reduced investment in environmental protection or neglect of diversity initiatives. Another inhibiting factor can be path dependence, in which adherence to "traditional" business practices, out of respect for the founding generations, impedes necessary innovations in the social and environmental spheres.

These contradictory findings point to a key insight: there is no such thing as a single family business. The crucial scientific challenge lies in understanding the considerable heterogeneity within family businesses.[27] Whether or not a family business exploits its potential along the TBL apparently depends on underlying factors that determine its strategic behaviour. Neither the long-term orientation nor the socioemotional wealth perspective alone can fully explain the differences observed. The critical question remains: what mechanism determines whether the family acts as a driver or a brake on comprehensive sustainability performance?

This is precisely where the present study comes in. We argue that the concept of legacy is the decisive, yet hitherto neglected, factor in solving this puzzle. The way in which an entrepreneurial family defines its legacy, whether primarily material, social, biological, or a combination thereof, shapes its values, goals, and strategic priorities. Understanding legacy thus provides the key to explaining the contradictory results in the TBL and deriving recommendations for action in practice. This study therefore examines how the different manifestations of the legacy dimensions (social, biological, and material) systematically influence the performance of family businesses across all three dimensions of sustainable business success.

[25] See Gómez-Mejía et al. (2007).
[26] See Cennamo et al. (2012).
[27] See Daspit et al. (2021).

3 | STUDY OVERVIEW

To empirically examine the influences of legacy on the TBL, we draw on the comprehensive 2024 survey of more than 2,000 companies worldwide conducted by the STEP Project Global Consortium. The STEP Project Global Consortium, of which the WIFU Foundation is a founding member, is the world's leading research initiative dedicated explicitly to the study of entrepreneurial processes, strategies, and the performance of family businesses across generations. The thematic focus of the STEP Report 2024 (Unlocking legacy in family businesses) underscores the suitability of the data set and the relevance of the topic.[28]

3.1 | DATA BASIS AND SAMPLE

The dataset used for this study covers family businesses from 71 countries, regions, and territories and 18 industries. It is the most comprehensive of its kind to date and, in its unadjusted form, includes responses from 2,683 executives. The broad geographical and sectoral distribution is a significant advantage, as it allows legacy to be examined as a universal phenomenon whose fundamental mechanisms can be generalised beyond specific national or industrial contexts. Particularly when analysing social and ecological corporate successes, which can be strongly influenced by local norms and laws, this global perspective helps to reduce potential biases and isolate the underlying mechanisms of legacy more precisely. Furthermore, the dataset's international breadth enables cross-country and cultural comparisons of legacy dimensions.

The sample is also heterogeneous with respect to age and generational succession, ranging from second-generation companies to those beyond the fifth generation. Its breadth allows us to examine the differences in family heritage between younger and older companies, as well as between different generations of control. It thus provides a sample that reflects the reality of family businesses and reduces the likelihood of drawing conclusions that apply only to certain types of family businesses. This allows us to gain valuable insights that can support a variety of family businesses.

We provide a detailed descriptive presentation of the characteristics of the surveyed companies in the appendix to this study.

[28] See STEP Project Global Consortium (2024).

3.2 | VARIABLES MEASUREMENT

The central constructs of this study were recorded using validated measurement indicators as part of the standardised STEP survey in order to ensure a high degree of reliability and validity of the measurement. The respondents, typically the CEO or another high-ranking family member, rated their agreement (1: strongly disagree; 5: strongly agree) with statements regarding the constructs surveyed (importance of legacy, involvement of the next generation, company success).

The material legacy was operationalised by items relating to the importance of passing on financial assets and the company itself. The social legacy underscores the importance of transmitting values through storytelling. The biological legacy was captured in questions about the intention and concrete plans to transfer the company's management to a family member to ensure transgenerational continuity of the bloodline.

The questions on the TBL operationalise economic, ecological, and social corporate success. Questions about corporate success were based on the company's self-assessment of its growth relative to competitors. Ecological and social success was based on reliable, well-established metrics from the scientific literature. The focus of ecological success was on reducing the environmental footprint and measures taken by companies to become more environmentally friendly, for example, in product design and processes. Questions on corporate social success focused on whether the company supports humanitarian initiatives and projects and contributes to the well-being of the regional community.

3.3 | ANALYSIS STRATEGY

The empirical study followed a multi-stage approach to enable a robust and differentiated response to the research questions. In the first step, the "legacy landscape" was analysed descriptively to underpin the fundamental relevance and heterogeneity of the topic in family businesses. As shown in the following figures, systematic differences in the expression of the legacy dimensions were identified across regions, generations, and company sizes.

In the second step, the direct influence of legacy on TBL performance was tested using statistical methods. Specifically, multiple regression analyses were applied. This method enables the isolation of the influence of each individual legacy dimension (material, social, biological) on the corresponding dimensions of sustainable corporate success (economic, social, ecological). Important control variables such as company size, age, industry, and country were statistically controlled to ensure that the observed effects were attributable to legacy orientation rather than to other structural differences among the family businesses studied.

The third step was devoted to answering the question of how legacy exerts its effect. For this purpose, a mediation analysis was conducted. This methodological approach tests the assumption that the previously examined relationship is not necessarily direct, but rather indirect, occurring via intermediate mechanisms (the mediator). Specifically, we test the hypothesis that the legacy dimensions not only have a direct effect on the three dimensions of sustainable business success, but that this effect is mediated by legacy's initial increase in the next generation's involvement, which in turn increases business performance. The

model thus tests a causal chain: the legacy intention of the older generation (e.g., a strong social legacy) leads to increased investment in developing successors (e.g., imparting values and providing training). This targeted promotion of the "next gen" in turn leads to better social success for the company. Mediation analysis thus enables the identification of the process of legacy transfer and the translation of legacy into concrete business outcomes across generations.

In the final step, we performed a cluster analysis to assess whether the legacy dimensions tend to co-occur or occur in isolation. This methodological approach identifies companies in a dataset that can be grouped based on similarities in the characteristics of specific variables. The typical legacy types identified in this way represent representative patterns of the common characteristics of legacy dimensions in family businesses and can be considered collectively in terms of their impact on sustainable business success. This enables us to better assess how legacy affects the TBL and the interactions among the individual legacy dimensions.

4 | RESULTS OF THE STUDY

4.1 | WHAT CHARACTERISTICS OF THE LEGACY DIMENSIONS EXIST IN FAMILY BUSINESSES?

The descriptive analysis indicates that the legacy dimensions are generally pronounced in the surveyed family businesses. Figure 4 shows the respective mean values for social (3.88), biological (3.87), and material legacy (4.06). It is striking that the material dimension is the most pronounced in comparison, while the social and biological dimensions reach almost identical levels.

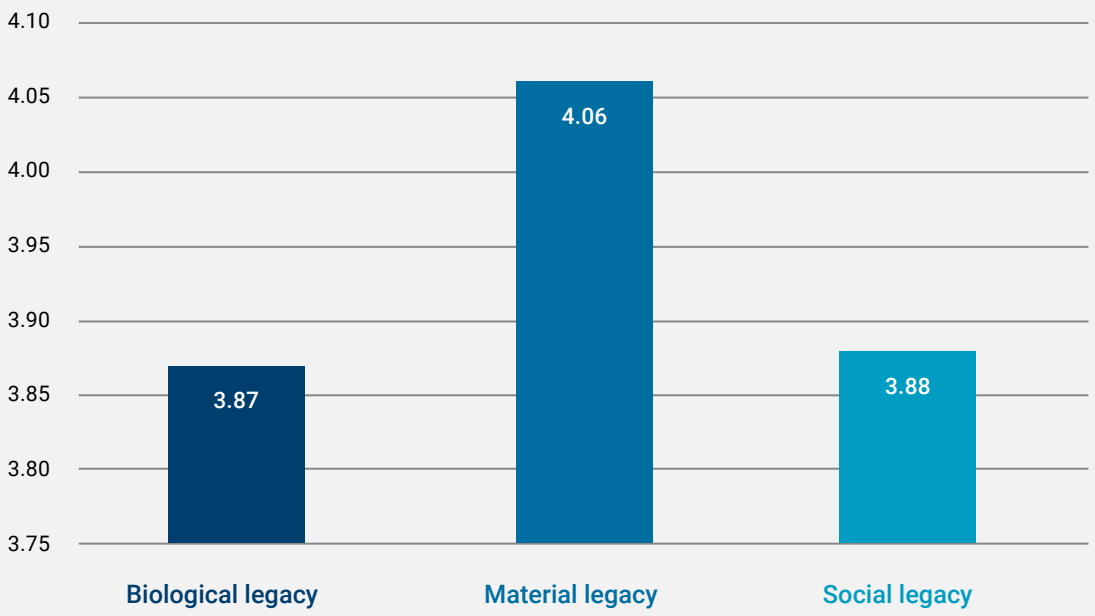


Figure 4: Strength of legacy dimensions in family businesses

An international comparison of the prominence of the legacy dimensions reveals that the focus on these dimensions varies greatly (see Figure 5). This underscores the specific cultural and economic priorities of family businesses. A key finding in the German context (the dark blue bar) is that German family businesses are strongly focused on material legacy, yet fall below the global average in the social and biological dimensions. Material legacy also achieves higher scores in North and South America, but this is accompanied by greater reliance on biological legacy in both regions. In Asia and Africa, legacy scores are lowest overall, with African family businesses in particular lagging significantly behind those in other regions in terms of biological and material legacy.

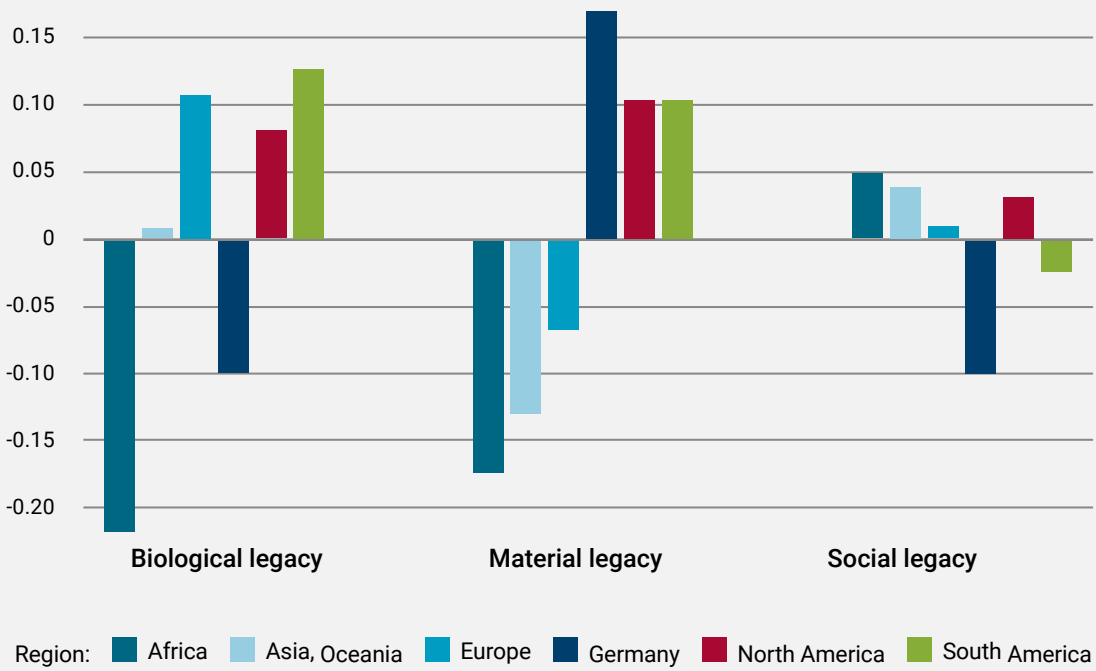


Figure 5: Average deviations of legacy dimensions in an international comparison

Further analysis indicates that the importance of each legacy dimension varies across generations. It is noteworthy that the importance of biological legacy increases from one generation to the next, suggesting that securing internal family control becomes increasingly strategic as the company matures. Material legacy, on the other hand, remains largely constant from generation to generation.

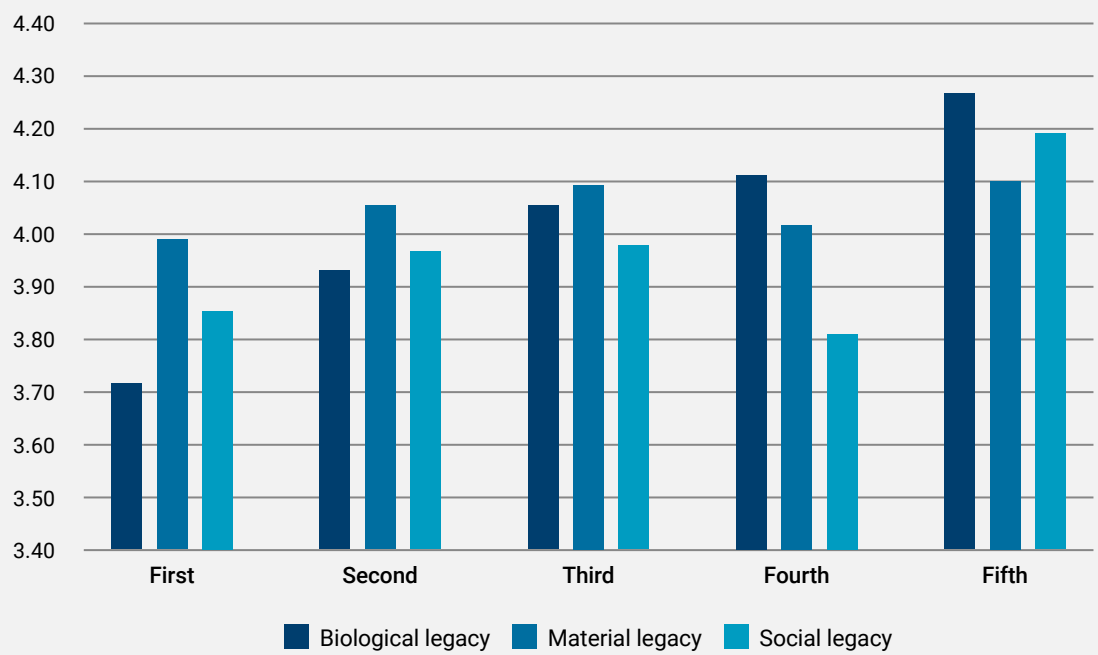


Figure 6: Mean values of legacy dimensions in a generational comparison

It also shows that the overall importance of legacy increases with age (see Figure 7) and company size (Figure 8), suggesting that conscious engagement with one's own legacy plays a greater role in more established and larger family businesses.

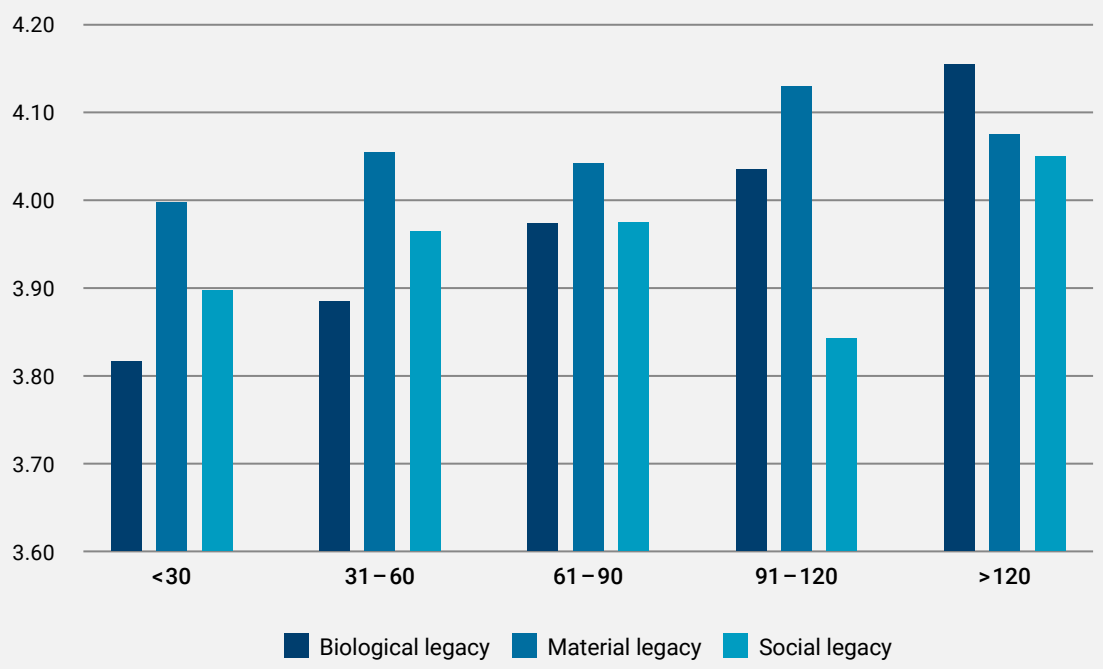


Figure 7: Mean values of legacy dimensions in comparison with company age

It also becomes clear that the size of the company not only intensifies the focus on material legacy, as more physical assets must be transferred, but also increases the company's social legacy. This is in line with the frequently emphasised social responsibility of family businesses.[29] The larger the company becomes and the more employees it has, the greater the social responsibility it must assume and communicate to its employees and all established stakeholders.

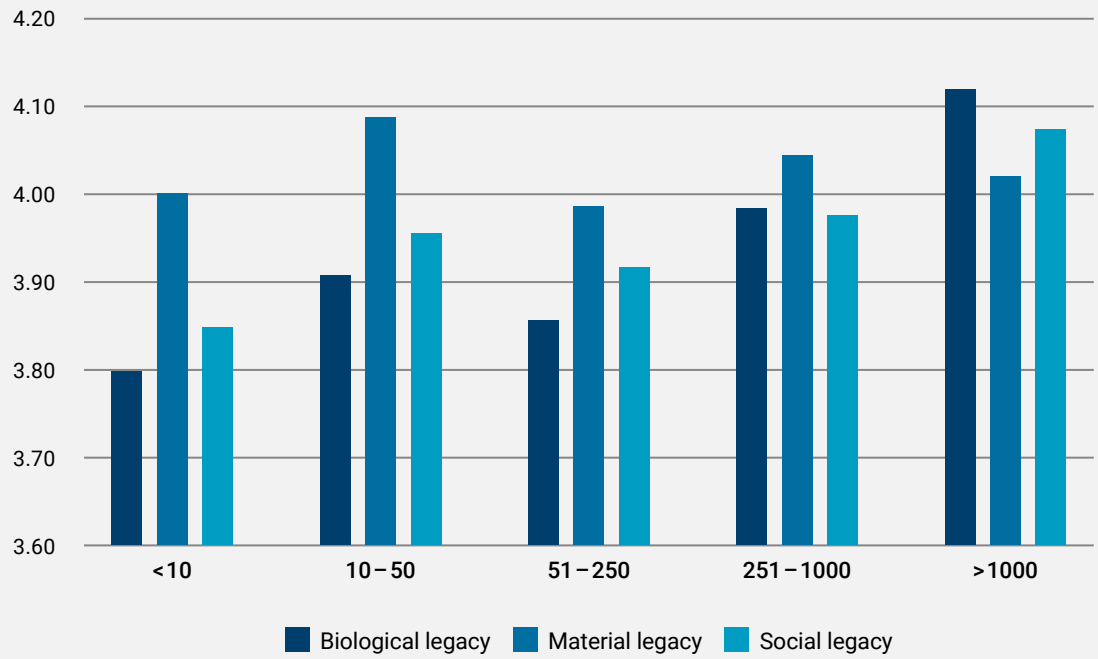


Figure 8: Average values of the legacy dimensions in comparison with the number of employees

[29] For an overview, see Stock et al. (2024).

4.2 | WHAT EFFECTS DOES LEGACY HAVE ON SUSTAINABLE CORPORATE SUCCESS?

To understand the direct influence of legacy on corporate success, we first analysed how the three legacy dimensions – social, material, and biological – are related to economic, social, and ecological corporate success. The results present a clear, distinct picture that underscores the strategic importance of legacy.

Figure 9 shows the effects (bars) of the legacy dimensions for each individual dimension of sustainable corporate success (in rows). Bars that slope to the right (> 0) indicate positive effects, while bars that slope to the left (< 0) indicate negative effects. As the figure shows, social legacy is the only one of the three legacy dimensions that has a consistently positive effect across all three dimensions of sustainable corporate success. Companies that place great value on passing on values, reputation, and moral principles are not only more socially and environmentally efficient but also more economically successful than their competitors. This finding suggests that a strong social legacy serves as a strategic compass guiding decisions in the pursuit of holistic, long-term value creation.

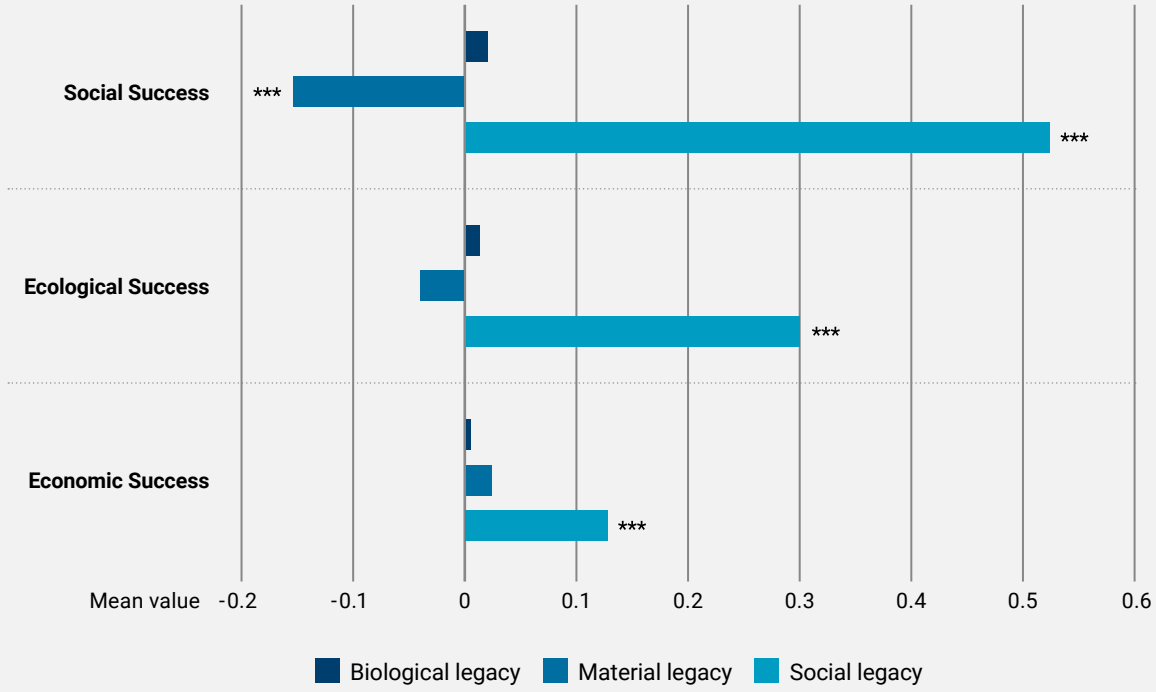
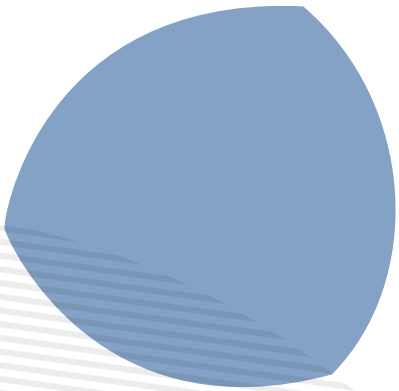


Figure 9: Effects of each legacy dimension on the dimensions of sustainable corporate success[30]

[30] Significant effects ($p < 0.001$) are marked with ***.

In contrast, the picture for material legacy is less encouraging: it has a significant negative impact on social success, while no effects are apparent for the economic and ecological dimensions. This suggests that a one-sided focus on asset preservation and material security can hinder social dynamics within the company. Biological legacy also falls short of expectations. It has no significant influence on any dimension of sustainable success, suggesting that merely passing the company down from generation to generation without additional value-based elements does not automatically yield more sustainable performance.



CONCLUSION

Social legacy leads to sustainable business success in all dimensions.

4.3 | WHAT MECHANISM EXPLAINS THE CONNECTION BETWEEN LEGACY AND SUSTAINABLE CORPORATE SUCCESS?

Although the above results demonstrate an interesting effect, they are also surprising given the one-sidedness of the positive effects of social legacy, in contrast to the rather broad assumptions in the literature. This raises the question of whether this analysis already presents a complete picture or whether important mechanisms have been overlooked. After examining the direct effects, the crucial question of the mechanism of action remains: how exactly does a legacy intention translate into concrete business results? As described at the beginning, legacy usually requires active transmission via individuals and is therefore heavily dependent on the involvement of the next generation. We have therefore also analysed the role of the development of the next generation in the causal relationship between legacy and sustainable corporate success.

Our analysis shows that the next generation plays a key mediating role. Our data shows that a strong biological and social legacy contributes significantly to actively involving the next generation in the company (see Figure 10). The intention to keep the company within the family (biological legacy) and the desire to pass on values and reputation (social legacy) clearly

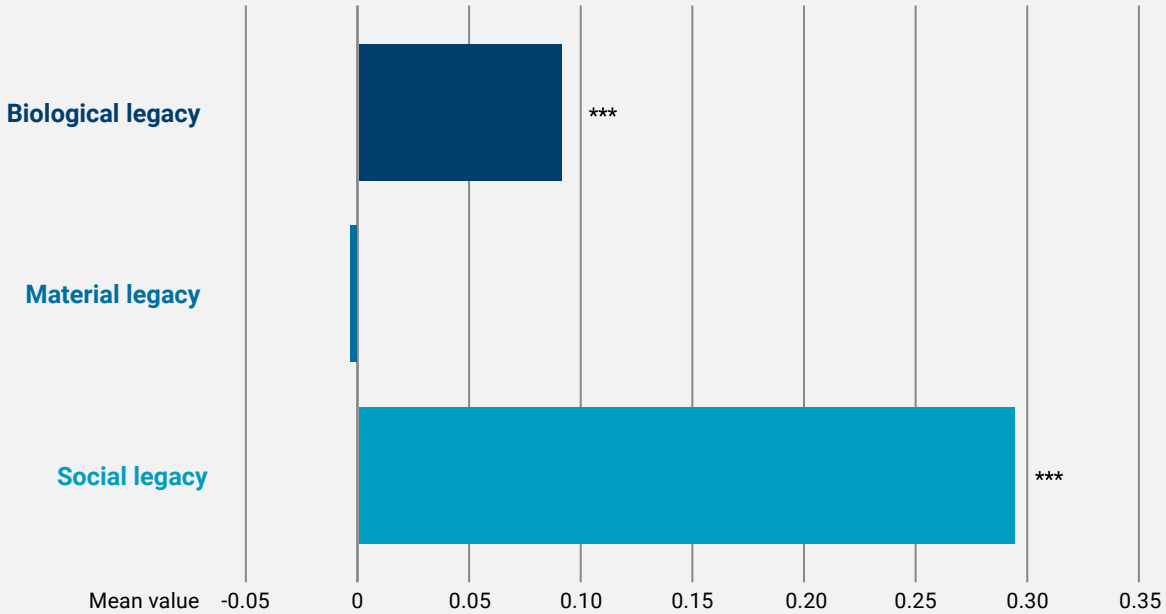


Figure 10: The influence of legacy dimensions on the involvement of the next generation[31]

[31] Significant effects ($p < 0.001$) are marked with ***.

motivate the current generation to invest more in promoting and developing their successors. A purely material orientation does not show this effect; here, the focus seems to be more on the passive transfer of assets than on the active development of human capital. However, the absence of this effect may also be due to the heterogeneity of the family businesses surveyed, as ways of passing on the material legacy – as described above – do not necessarily depend on the active involvement of the next generation and, especially in the case of family businesses with external management and families that only play an active role as shareholders, can do without it.

The involvement of the next generation is a strong driver of the TBL. Figure 11 shows that an actively promoted and integrated next generation has a significant positive effect on all three dimensions of sustainable corporate success. It brings new perspectives, drives innovation, and shares responsibility for a sustainable, value-oriented future for the family business.

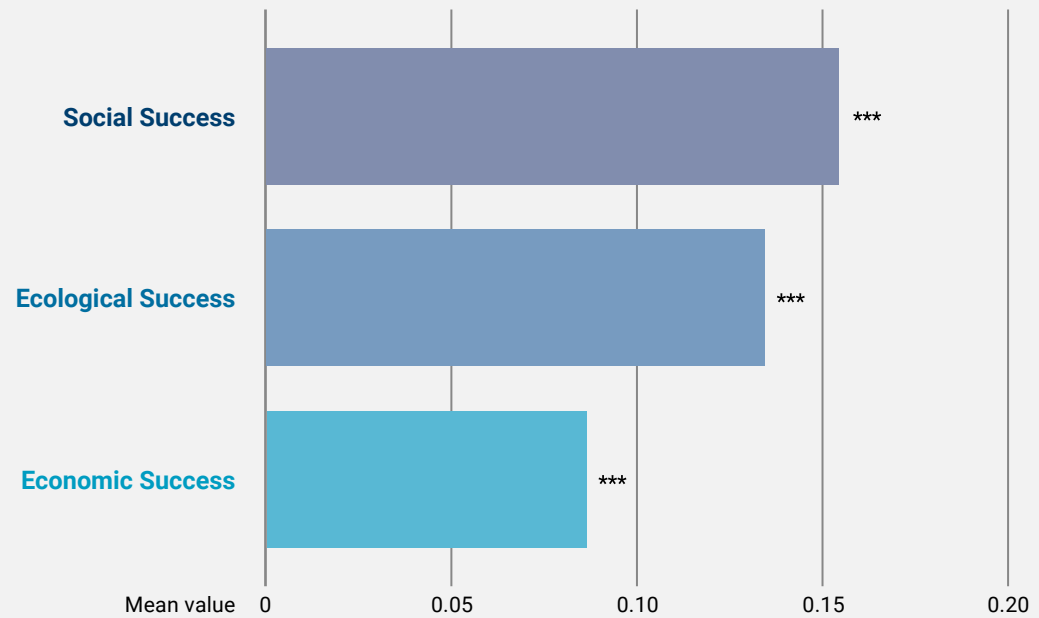


Figure 11: The influence of involving the next generation on sustainable business success[32]

[32] Significant effects ($p < 0.001$) are marked with ***.

In order to empirically investigate the significance of the involvement of the next generation in terms of the causal chain described above, a mediation analysis was carried out in the next step. This calculates the effect of the legacy dimensions on sustainable corporate success, taking into account the intermediate effect on the involvement of the next generation (Figure 12). This analysis confirms the initial findings presented above. There are positive, significant effects between social and biological legacy and the three dimensions of sustainable corporate success. While social legacy, as already demonstrated in the previous section, also has a direct impact on success, this effect is also explained by the greater involvement of the next generation. Biological legacy, by contrast, affects performance only indirectly through the involvement of the next generation. Material legacy has neither a direct nor an indirect effect on sustainable corporate success.

CONCLUSION

Biological and social legacies lead to greater involvement of the next generation, which, in turn, increases sustainable corporate success.

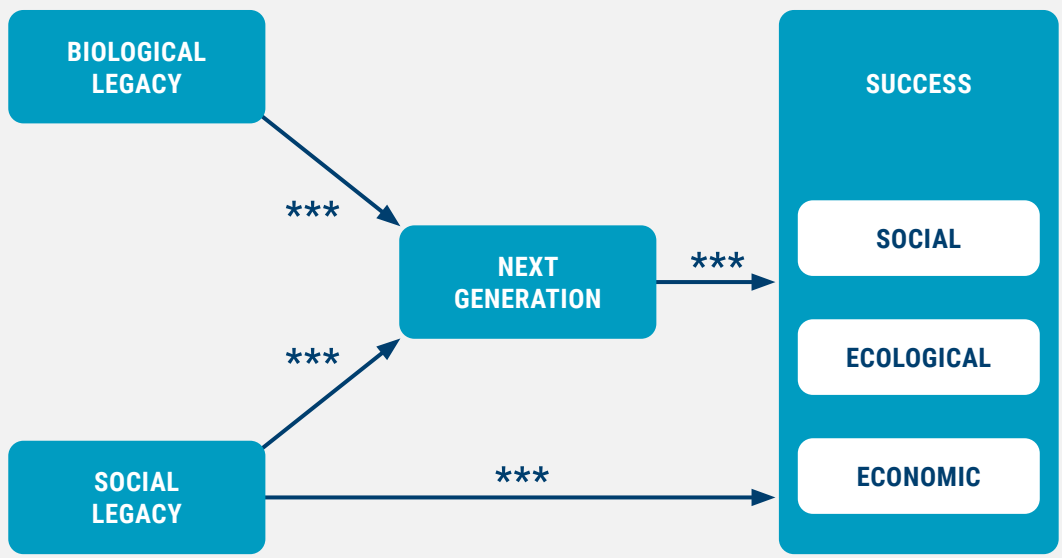


Figure 12: Empirical impact model of legacy[33]

[33] Significant effects ($p < 0.001$) are marked with ***.

4.4 | WHAT TYPES OF LEGACY EXIST IN FAMILY BUSINESSES?

Successful family businesses are rarely one-dimensional. We therefore concluded by examining how the combination of different legacy dimensions in real-life constellations influences success. Using cluster analysis, we empirically aggregated companies based on similarities in the characteristics of legacy dimensions that exhibit similar patterns.

Figure 13 shows the results of this analysis. There are six legacy types in family businesses:

1. **Value preservers (5.4 %)** have a high social legacy only.

2. **Property preservers (10.2 %)** focus exclusively on the material legacy.

3. **Responsible owners (26.2 %)** combine social and material legacies.

4. **Family value preservers (5.9 %)** have both high biological and material legacies.

5. **Family property preservers (13.8 %)** have both high biological and material legacies.

6. **Holistic (38.6 %)** are high in all legacy dimensions.

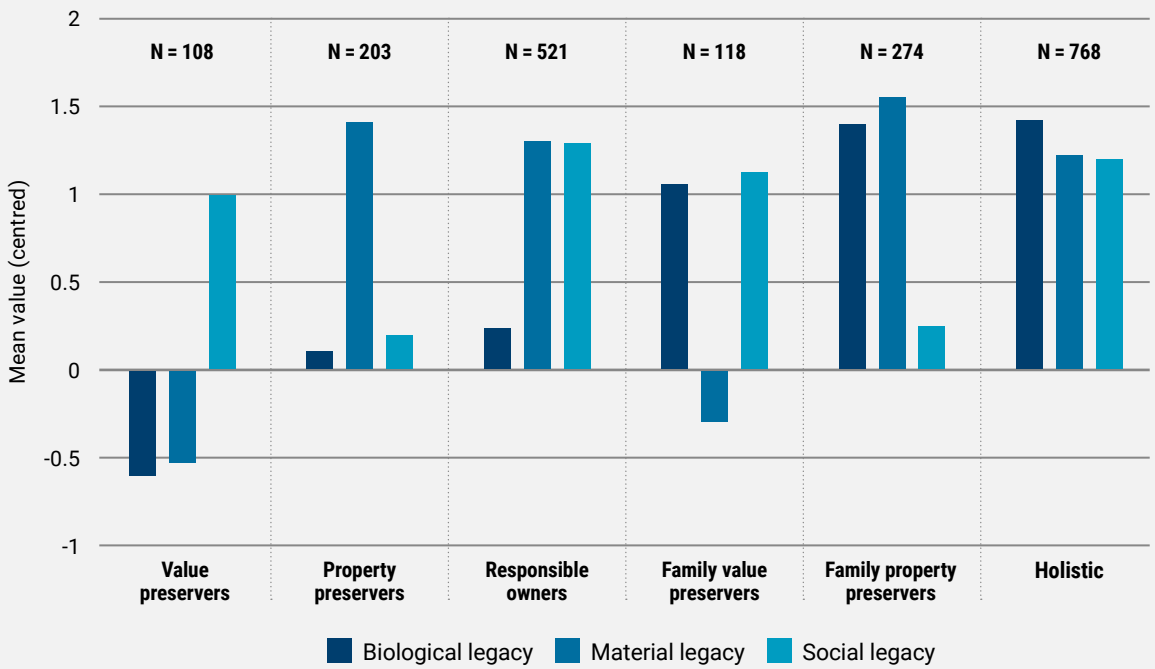


Figure 13: Expression of legacy dimensions by legacy type

It is clear that the vast majority of family businesses (with the exception of types 1 and 2) do not focus on individual legacy dimensions in isolation; rather, they seek to pass on multiple dimensions of legacy simultaneously.

These legacy types also vary in international comparison (see Figure 14). The figure shows that in Europe and North America, responsible owners and holistic owners are the dominant forms. Family value preservers are particularly prevalent in Japan, which provides an interesting perspective on the succession preferences of Japanese family businesses and the related research at the WIFU Foundation.

Since the mere existence of the six legacy types does not in itself provide any immediate implications for action, the final question that remains to be answered is how these legacy types, and thus the combination of the individual legacy dimensions, affect the sustainable success of family businesses. Which legacy types are most successful in which dimensions? To answer this question, we conducted a variance analysis to examine how corporate performance characteristics differ between the legacy types and which characteristics are significantly different. Figure 15 shows the results of this analysis, with each row depicting the characteristics of the three dimensions of sustainable corporate success as bars.

This reveals a particularly important insight for practice: the greatest impact on economic success comes from a targeted balance of values and assets. While social legacy, as shown in the isolated analysis, has a fundamentally positive effect on corporate success, it alone is insufficient to realise a company's full econo-

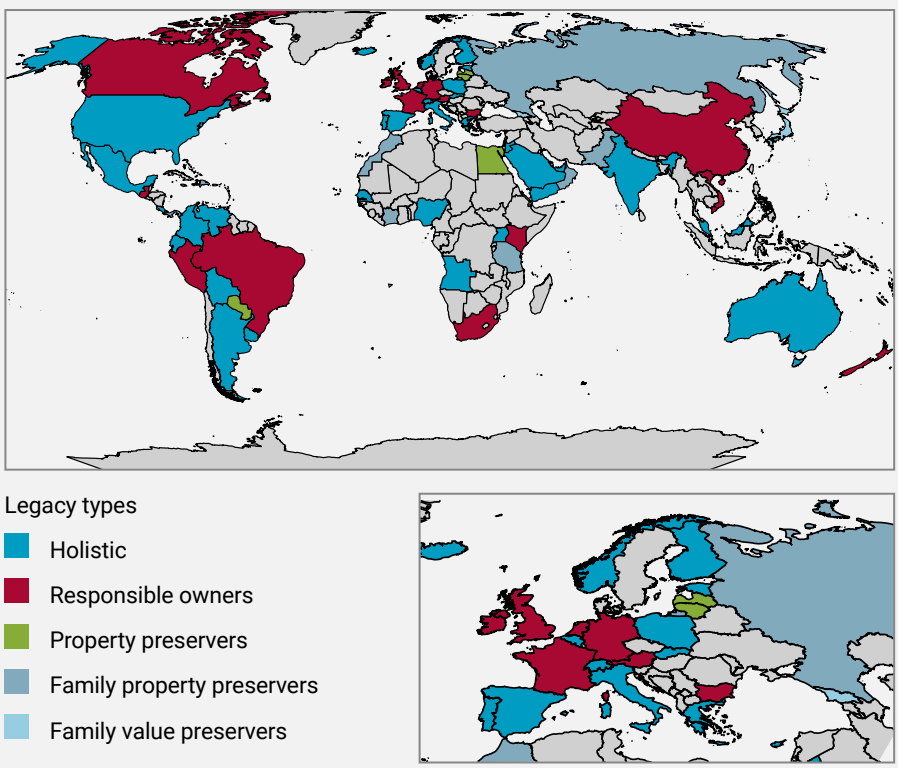


Figure 14: Geographic distribution of dominant legacy types

mic potential. The analysis shows that the combination of a strong social and a strong material legacy, found among responsible and holistic owners, yields the greatest economic success. In addition, these two types perform well overall in social and ecological outcomes, surpassed only by family value preservers, but at the expense of economic outcomes.

This combination of social and material legacies is significantly more effective than any single legacy dimension. This result suggests significant complementarities: social legacy provides the vision, purpose, and values ("the why") that guide the company and confer a strong identity and reputation. At the same time, the material legacy provides the necessary financial discipline, stability, and professional structures ("the what") to implement this vision in an economically sustainable manner. Companies that achieve this balance combine meaningfulness with professionalism, thus creating a decisive competitive advantage.

CONCLUSION

Social legacy alone is not enough. Only in combination with material legacy can the greatest economic success and overall success be achieved.

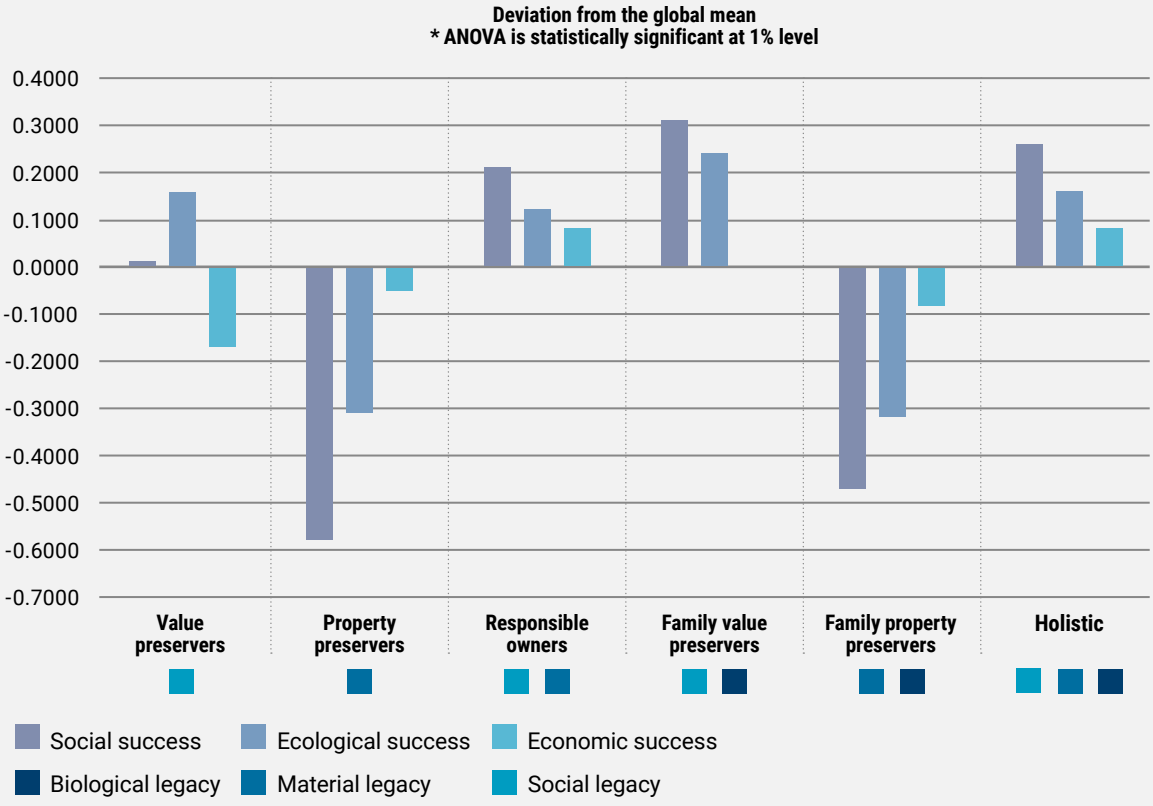


Figure 15: Average comparison of sustainable corporate success by legacy type

5 | RECOMMENDATIONS

The theoretical and empirical findings on legacy in family businesses presented in this study provide a comprehensive basis for deriving key recommendations for action in business practice that are relevant for both management and family shareholders.

Social legacy has a direct positive impact on the sustainable success of family businesses.

Our study shows that a strong social legacy is the most robust driver of sustainable success for family businesses. Entrepreneurial families should therefore view the cultivation and transmission of their intangible values not as a "soft" issue, but as a core strategic task. This underscores the power of stories and storytelling as a key management lever for promoting business success:

- **Be proactive rather than passive:** Establish conscious processes for communicating your family values. This can be achieved by developing a family constitution, creating storybooks, holding regular family meetings with a strategic agenda, or participating in professionally moderated storytelling workshops in which the family's central stories and principles are shared and discussed across generations.

- **Make values visible in the company:** Anchor social legacy in your company's management and incentive systems. Incorporate ethical and social goals into the performance appraisal of managers and communicate successes in the social and ecological areas as prominently as financial indicators.

Material legacy alone does not help the company and can even be harmful.

Focusing solely on securing and transferring financial assets poses risks to the company's sustainable success. A strong material legacy can lead to a one-sided focus on asset protection, thereby triggering risk aversion towards investments with future viability. This can block investments in social and environmental innovations in particular.

- **Combine wealth with purpose:** Explicitly link the material legacy to a higher purpose. In your family strategy, define not only what is to be passed on to the next generation, but also, above all, why. What positive contribution should the family's wealth make to society, the region, or the environment?

A strong combination of biological and social legacy strengthens the involvement of the next generation and leads to sustainable business success.

The most sustainable family businesses are those that view their successors not only as heirs but also as active shapers of the future. The combination of the desire for internal family succession (biological) and a strong value base (social) creates the ideal foundation for this process. The logic behind this combination is as follows: the desire to transfer the company to a family member, i.e., the transgenerational intention (biological legacy), alone does not lead to the appropriate strategic development of the next generation. Rather, it can lead to consolidation and nepotism, which may involve the next generations but bypass their development and active involvement. Emphasising values and storytelling are aspects that ensure that the next generations are motivated and encouraged through stories:

- **Early and professional involvement:** Develop a structured plan for the development of the next generation early on, together with that generation. This goes beyond purely technical training and includes mentoring programmes, promoting the development of external experience in other industries and under other conditions, transferring responsibility in strategic projects (e.g., in the areas of digitalisation or sustainability), and gradual integration into important decision-making bodies.

- **Use the next generation as sparring partners and sources of ideas:** The fact that involving the next generation leads to positive results in all dimensions of sustainable corporate success does not necessarily mean that they must always play an active role in the company. Regardless, it can be useful to incorporate this generation's perspective into strategic decision-making at an early stage,

particularly for value-based decisions and current issues such as environmental concerns and artificial intelligence.

- **Creating roles for all talents:** Not every member of the next generation has to or wants to take on the role of CEO. Successful families create diverse roles – as committed shareholders, as members of the advisory board, as leaders of innovation projects, or as managers of the family foundation – in order to leverage the talents and interests of all successors for the benefit of the overall family and business system.

The combination of social and material legacies contributes to the company's economic success.

The greatest economic value is created when a meaningful vision meets professional structures. Do not view social and material legacies as opposites, but as two positively reinforcing mechanisms.

- **Institutionalise balance:** Anchor both dimensions in your governance structures. A professionally staffed advisory board, for example, can ensure that the family's value-oriented vision (social legacy) is reconciled with economic rationality and sound financial management (material legacy). This balance should also be anchored in family constitutions that explicitly include not only provisions on ownership and succession (material), but also family values, guiding principles, and social engagement (social). The succession plans mentioned above should also specify the transfer of company shares and also the systematic transfer of know-how, contacts, and leadership models.

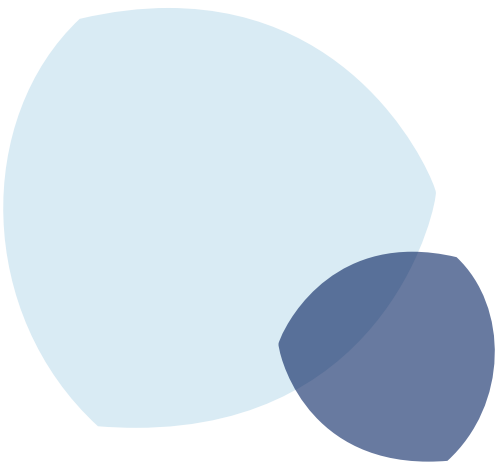
- **Impact investing:** A concrete link between material and social legacy can be achieved by combining these perspectives in terms of content, e.g., by investing some material assets in projects that reflect the family's social values (e.g., sustainability, education).

Family businesses should establish mechanisms for legacy management.

Legacy is not a product of chance, but the result of conscious strategic decisions. In order to harness legacy's positive power and avoid its potential disadvantages, family businesses should actively reflect on their legacy and establish mechanisms and roles for legacy management (see Table 1).

- **Be aware of blind spots and reflect on legacy strategically:** Establish mechanisms to reflect on legacy within the family circle and discuss which types of legacy are most important. Also, use specific examples (critical incidents) to reflect on how your legacy orientation influences or has influenced the company's decisions and actions. Legacy can have a subconscious effect and lead to unintended consequences. Active discussion and joint reflection help to understand internalised behaviours and unconscious biases in decision-making and to implement control mechanisms.

- **Conduct regular "legacy audits":** Analyse at regular intervals (e.g., every three to five years) whether the corporate culture and strategic priorities still align with the desired legacy. Ask yourself critically: are the values we want to pass on still relevant today? Do we truly live them in our everyday lives? This ensures that the legacy remains a living compass for the future and does not become a rigid anchor to the past.



6 | CONCLUSION

This study provides a comprehensive theoretical and empirical picture of the concept of legacy, which has been insufficiently explored in family business research to date. In particular, the results of our causal analysis of the interrelationships between legacy and sustainable business success highlight the considerable strategic importance of this concept. We thus lay an important foundation for developing strategies for active legacy management in family businesses. Although the recommendations for action mentioned above provide concrete guidance, they should be taken up by family entrepreneurs, active shareholders, and family business consultants and further developed into differentiated and individualised guidelines for action. In addition, the WIFU Foundation will continue its research on this important topic in order to support this practical development process with rigorous scientific findings.

7 | APPENDIX

The companies in our sample are 46 years old on average (median: 39). The youngest company was founded two years ago, while the oldest has 155 years of history. There is a wide range in company size: the companies surveyed employ an average of 682 people (median: 65), with the smallest reporting only 2 employees and the largest up to 50,000 employees.

The sample also varies substantially in revenue, which was recorded at intervals; values range from less than US $ 1 million to over US $ 500 million. Most companies fall within the range of US $ 10 million to US $ 20 million.

Since these are exclusively family businesses, the family share of equity is particularly relevant. On average, this is 88 %, with a minimum of 1 % and a maximum of 100 %. The median of 100 % indicates that, in most cases, the entire ownership is in family hands. Table 2 summarizes key descriptive indicators on the age, size, revenue, and ownership structure of the companies surveyed.

Key indicator	N	Minimum	Maximum	Mean	Median
Company age	2.151	2	155	45,5	39
Employees	2.144	2	50.000	682,0	65
Sales	1.686	Less than US $ 1,000,000	More than US $ 500,000,000	US $ 10,000,001 – US $ 20,000,000	US $ 10,000,001 – US $ 20,000,000
Percentage of company owned by family (%)	2.118	1	100	88,3	100

Table 2: Descriptive characteristics of the sample

The distribution of the companies surveyed by country and region (see Figure 16) shows that most companies are located in Poland (9 %), Mexico (8 %), Spain (7 %), Italy (5%), Venezuela (5 %), China (5 %), Greece (5 %), and India (5 %). Forty-eight companies (approximately 2 % of the sample) are based in Germany. At the regional level, European companies account for the largest share of the sample (43 %), followed by Latin America (19 %), Asia (16 %), and North America (10 %). The remaining regions (Africa, the Middle East, and Oceania) together account for approximately 12 % of the sample.

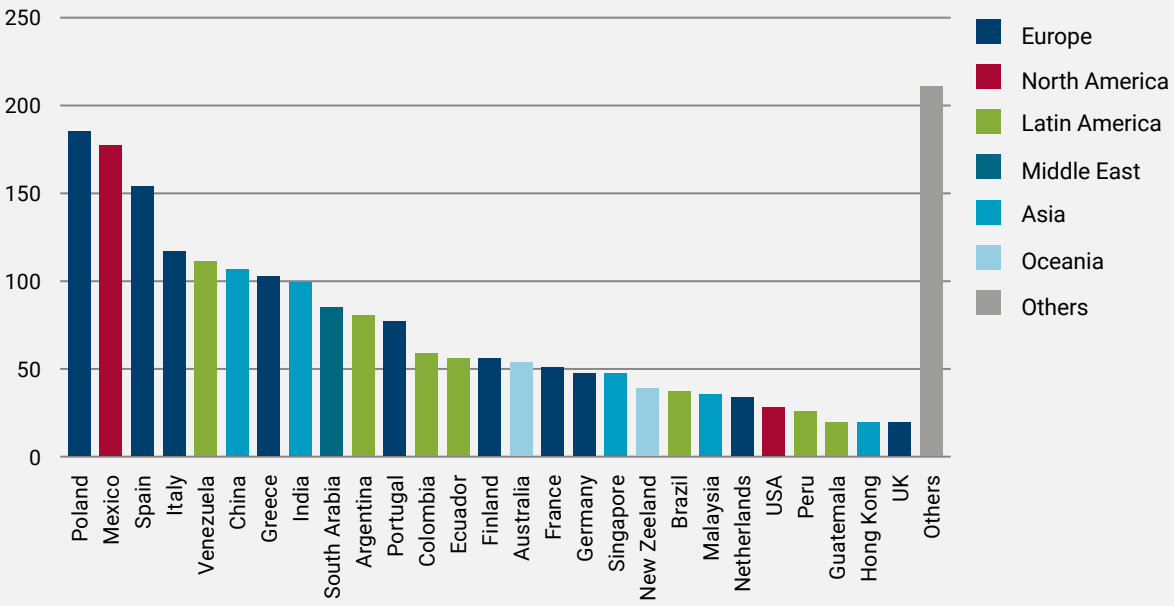


Figure 16: Regional distribution of the companies surveyed[34]

[34] Others: Africa (sub-Saharan, non-Arab): Angola, Côte d'Ivoire, Kenya, Mauritius, Nigeria, Senegal, South Africa, Tanzania (United Republic) and Uganda; Asia: Azerbaijan, Bangladesh, Georgia, Japan, Pakistan and Vietnam; Europe: Belgium, Bulgaria, Estonia, Ireland, Latvia, Lithuania, Malta, Monaco, Norway, Austria, Russia (Russian Federation), Switzerland, Slovakia, Sweden, and Cyprus; Latin America: Antigua and Barbuda, Aruba, Barbados, Bolivia, Costa Rica, Dominican Republic, Panama, Paraguay, and Uruguay; Middle East and Africa: Egypt, Lebanon, Morocco, Oman, United Arab Emirates, and Yemen; North America: Bahamas, Canada, and Puerto Rico.

The sectoral distribution of the companies surveyed (see Figure 17) shows a broad spread across all NACE[35] categories. The largest share is accounted for by manufacturing/production of goods (402 companies; 19 %) and agriculture, forestry, and fishing (360; 17 %). Other services (352; 17 %) and trade, including maintenance and repair of motor vehicles and motorcycles (216; 10 %), are also strongly represented. Smaller shares are accounted for by sectors such as arts, entertainment, and recreation (18; <1 %) or water supply, sewage, and waste disposal (19; <1 %). Overall, the sample reflects a high degree of sectoral diversity.

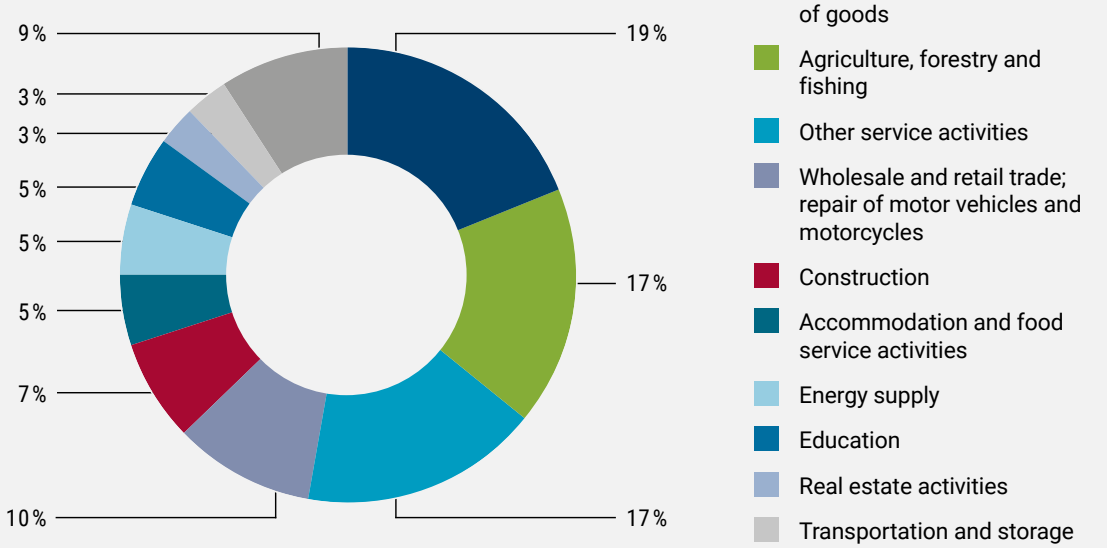


Figure 17: Distribution by industry (NACE classification)[36]

[35] Statistical Classification of Economic Activities in the European Community.

[36] Others: a) Health and social work; b) Mining and quarrying; c) Information and communication; d) Water supply: sewage and waste disposal and removal of environmental pollution; and e) Arts, entertainment, and recreation

By generational affiliation, the majority of companies (1,097; 54 %) are in the second generation; 474 companies (23 %) are run by the third generation, while 242 companies (12 %) are still in the first generation. There are 144 companies (7 %) in the fourth generation and 89 companies (4 %) in the fifth or later generations. The sample thus shows that a large proportion of family businesses have already been passed down through several generations (see Figure 18).

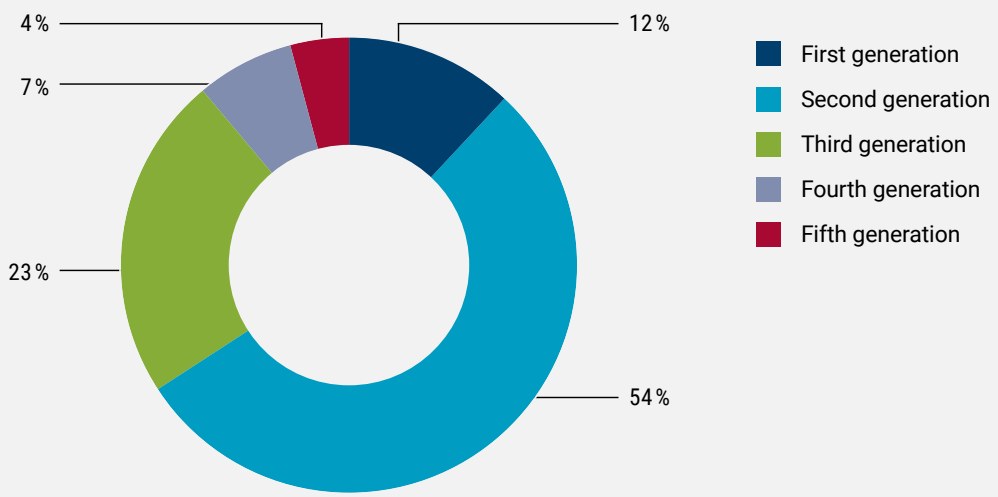


Figure 18: Distribution of family businesses by generation

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9 | LIST OF FIGURES & TABLES

Figure 1:	Relationship between tradition and legacy	9
Figure 2:	The development of family legacy	10
Figure 3:	The “triple play” – the connection between social, environmental and economic sustainability	14
Figure 4:	Expression of legacy dimensions in family businesses	20
Figure 5:	Mean deviations of the legacy dimensions in an international comparison	21
Figure 6:	Mean values of the legacy dimensions in a generational comparison	22
Figure 7:	Mean values of the legacy dimensions in comparison of company age	23
Figure 8:	Mean values of the legacy dimensions in comparison of the number of employees	24
Figure 9:	Effects of each legacy dimension on the dimensions of sustainable business success	25
Figure 10:	The influence of legacy dimensions on the integration of the next generation	27
Figure 11:	The influence of involving the next generation on sustainable corporate success	28
Figure 12:	Empirical impact model of legacy	29
Figure 13:	Characteristics of legacy dimensions by legacy type	30
Figure 14:	Geographic distribution of dominant legacy types	31
Figure 15:	Comparison of mean values for sustainable corporate success by legacy type	32
Figure 16:	Regional distribution of the companies surveyed	37
Figure 17:	Distribution by industry (NACE classification)	38
Figure 18:	Distribution of family businesses by generation	39

Table 1:	Mechanisms for passing on legacy	12 - 13
Table 2:	Descriptive characteristics of the sample	36

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EDITOR

The non-profit WIFU Foundation, founded in 2009, is committed to promoting not only Research and teaching, but in particular practice transfer in the field of family entrepreneurship. Our most important supporters include around 80 family businesses from German-speaking countries. The focus of our activities is the acquisition, communication and dissemination of high-quality and current issue-related knowledge on family businesses and business families. Our funds are primarily used to establish and maintain chairs, to support research projects and to award scholarships to young scientists. One focus of our funding is to support the work of the Witten Institute for Family Business (WIFU), based at Witten/Herdecke University, with its three research and teaching areas of business administration, law and psychology/sociology. The WIFU has been making a significant contribution to the cross-generational sustainability of family businesses in the field of research and teaching for more than 25 years. Another focus of our work is the organisation and execution of congresses and other events on family entrepreneurship-related topics. Practice-oriented knowledge and skills to promote succession in the management of family businesses within the business family are conveyed in working groups, training courses and other formats. Our events are characterised by a protected framework which provides room for an intimate and open exchange. A comprehensive and active public relations work for research results in the field of family entrepreneurship completes the range of tasks of the WIFU Foundation.

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