The Resilient Family Enterprise series

Your family business: Planning for what's beyond the horizon

It's been said that while public companies think in terms of quarters, family businesses think in terms of generations. Is it too early to start thinking about the year 2030? Or even 2040? Not if you're a family enterprise looking to stay relevant. As companies work to recover from the COVID-19 pandemic, attention will begin to move from an "interim normal" to a "better normal" that capitalizes on their resilience and agility.

When we look back 10 to 20 years from now, we may be able to point to companies whose success was driven by decisions made today based on a long view toward the horizon. Getting family business leaders to consider such long-term planning might seem unimportant in a year in which many are just trying to make it to 2021. But family-owned companies have survived recent economic recessions at a greater rate than non-family companies by keeping their eyes on the road ahead, launching new products, and preserving their emphasis on corporate social responsibility.[1]

The causes of myopia

Some might object to looking so far ahead, arguing that the future is too uncertain and unpredictable to deploy significant attention or capital. The level of uncertainty might fluctuate from year to year, but its existence is constant and unavoidable. Organizations that stop thinking long-term do so at their own peril.

While some companies in particular industries have fared relatively well during the pandemic, they might not want to think that today's achievements will translate into tomorrow's successes. They may be feeling well-positioned for a return to normal, but as heroic as their efforts may have been, the competitive and operational landscape onto which they are emerging may be forever changed. Whether it's the nature of work, the virtualization of many forms of engagement, or diverging priorities in consumer preferences, "normal" may not ever come back, forcing businesses to revise or completely revisit their models.

Even in less uncertain times, family enterprises are prone to planning myopia. By and large, family business leaders often express confidence in their preparedness for the future, but our research indicates many may be overconfident given where they spend the bulk of their time.

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In Deloitte Private's *2019 Global Family Business Survey,* more than half of the respondents believed they have the right strategy to meet the challenges of the next two decades, but more than three-quarters said they don't plan beyond the next five years.[2]

All these inhibiting factors can leave family enterprises exposed to sources of disruption that may not be registering right now, or even at this point next year, but may develop over many years to come. If 2020 teaches us anything, it's that unforeseen events, or "black swans," exist and can wreak havoc on even the best plans.

Widening the aperture

The case for taking a longer view and applying it to decisions in the near term has been made by technology giants for decades. The "zoom out to zoom in" approach is a stark departure for many businesses because it gives almost no attention to the one-to-five-year time horizon. Instead, it starts with the 10- to 20-year period, with business leaders trying to assess what their industry or relevant markets will look like, and what they will need to do as a company to be successful in that environment. Then, they bring it back to the present by selecting two or three initiatives they should be pursuing over the coming year to try to accelerate their movement toward that future.[3]

This approach is especially well-suited to family enterprises. We know from our work with global family enterprises that many are purpose-driven and have become even more so amid the pandemic as they look to help their customers and communities. It's also the case that family business leaders tend to stay in their positions longer, with the average tenure extending well beyond their counterparts at non-family businesses. This means that at family-run organizations, leaders and their successors are far more likely to see spending priorities through to their conclusion.

But that won't likely happen unless the planning process becomes more formalized. Typically, companies might hold an annual off-site meeting, in which free-wheeling discussions may not translate into concrete action once everyone returns to work. When they zoom out to zoom in however, they put capability-building on a schedule, actual resources are deployed toward the initiatives that are chosen, along with metrics that measure at regular intervals whether they're progressing as planned.

There is no doubt that COVID-19 has many companies ruminating about what changes it prompted will be enduring. But without a process to track how each organization is aligning itself in support of those changes, the risk is that different parts of the business are pulling in different directions—or not at all. By making actionable what was once theoretical, this new and alternative approach tends to pull executives out of short-term thinking and relying on a limited five-year view in which changes in strategy might not be all that consequential.

Engaging next-gen leaders

For family-run businesses, a related and important benefit of widening the aperture in this way is that it brings younger generations into the fold of decision making. We know that, across the world, many family businesses struggle to survive past the third or even second generation. Some of the fault for this lies in a lack of formal planning—our latest *Global Family Business Survey* found that only 41 percent of respondents said their business was ready for the future in terms of succession planning.[4]

Many younger family members often don't see exciting avenues of growth for themselves and worry about being stuck on a prescribed career path in the family business. In applying a zoom out-zoom in framework to strategic planning, business leaders start to ask important questions such as "How do I prepare something really big for the next generation?" Their likely family successors might even be placed in charge of or at least play a pivotal role in one of the near-term initiatives identified.

Beyond that, younger generations have the opportunity to engage in the process as challengers, questioning the sometimes long-held perspectives about the state of their markets and where they are likely headed. In this, their value to the enterprise is elevated in today's terms, rather than pushed off into the future when and if the right conditions materialize. These insights have the potential to knock company leaders out of their comfort zones, casting fresh doubt on the idea that what has led to success in the past will continue to do so in the future.

COVID-19 as opportunity

As challenging as the pandemic has been for family enterprises around the globe, it just might serve as a further catalyst to ensure their legacies endure. While the crisis has dramatically shortened planning timeframes this year, these companies may soon have enough breathing room to start thinking beyond the near term. Our view is that the further they can cast their gaze, the better. Family businesses that can take a long view of their respective industries and markets may also be the ones who are still thriving 20 years from now.

Notes

1. Saim Kashmiri and Vijay Mahajan, "Why Family Businesses Come Roaring out of Recessions," Harvard Business Review, April 7, 2014.
2. *Private company issues and opportunities 2020: Family business edition*, Deloitte, December 2019.
3. John Hagel and John Seely Brown, "Zoom out/zoom in: An alternative approach to strategy in a world that defies prediction," Deloitte Insights, May 16, 2018.
4. *Global family business survey 2019: Long-term goals, meet short-term drive*, Deloitte, June 27, 2019.

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