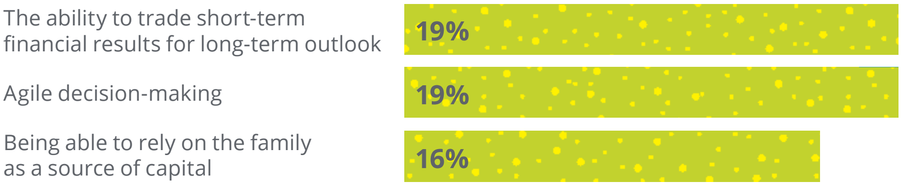

The Resilient Family Enterprise series

# Moving beyond respond and recover to thrive

More than a year ago, the global Deloitte Private practice launched this series to explore issues impacting family enterprises as they navigated the COVID-19 pandemic, highlighting some of the shared elements and activities organizations faced during one of the most severe crises of our time. In the interim, Deloitte Private also conducted a global survey of private enterprises, *Global perspectives for private companies*, with a focus on the issue of resilience and the factors that contribute to it.

Combining these efforts, we found that when it comes to building organizational resilience, family enterprises enjoy several characteristics that may provide significant advantages over other businesses and that contribute to their organization's resilience. When asked in the global Deloitte Private survey to cite the traits that help them most, no single answer stands out but three were relatively close in perceived importance: 1) the ability to trade short-term financial results for their long-term outlook, 2) agility in their decision making, and 3) reliance on the family as a source of capital for funding the business. Other responses included the ability to cultivate a work culture that reflects the family's values, the opportunity to demonstrate a family's commitment to employees that is repaid with loyalty, and a healthy risk appetite for innovation.[1]

**What is the top strategic advantage of being a family-owned business?**




*Source: Deloitte Private, Global perspectives for private companies, May 2021.*

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**Put to the test**

Not coincidentally, these are the similar traits that help build resilient organizations. Consider the five characteristics of resilience Deloitte Global identified in its fourth annual readiness report last year: prepared, adaptable, collaborative, trustworthy, and responsible.[2] The overlap helps explain why many family-owned enterprises were able to use their inherent advantages to both endure the worst of the pandemic and position their businesses to thrive in its aftermath.

For instance, the ability to maintain a long-term perspective emboldened many family firms to switch gears in the middle of the crisis and make bold bets on their future. In some cases, they embraced creative destruction, launching ventures that replaced their traditional lines of business. Many accelerated their digital transformation efforts, investing across the solutions set to supercharge growth, improve engagement with customers, and strengthen management oversight.

Family enterprises have become known for their work cultures which reflect their family values as well as their deep roots in the communities in which they operate. However, the crisis seemed to accentuate their purpose-driven ambitions outside of their organizations with family-owned companies exhibiting a heightened sensitivity to a wide range of stakeholders. For example, family enterprises responded to the pandemic in a variety of ways including making supplies of protective gear, delivering food and financial assistance, and giving their employees the flexibility to prioritize their acute personal needs. We explored this concept further in our article *Leading with trust as a family enterprise*.[3]

**Potential vulnerabilities**

While these inherent traits positioned many family enterprises to respond, recover, and thrive at each stage of the pandemic, the benefits were not evenly distributed. In fact, in some critical ways, they created new vulnerabilities that, left unaddressed, could create new issues when the next crisis arrives.

For instance, in the series article *The role of governance in family enterprises: Navigating purpose, power, and performance*, we explored how concentration of authority among family enterprises can often make for quick and decisive action but can potentially lead to organizational paralysis when a company founder or other key decision maker becomes incapacitated or overwhelmed. The crisis highlighted the need for family enterprises to clarify responsibilities and decision rights as part of adopting formal governance policies and procedures. We also talked about the importance of family members being aligned on their purpose, and how inclusiveness and collaboration contributes equally to short-term crisis management and long-term organizational success.[4]

New ways of working triggered by the pandemic may require new approaches for maintaining employee trust. Access to leadership has been an advantage for many family enterprises over the years, with workers able to regularly interact with senior leaders. In *Cultivating a post-COVID workplace*, we examined how these relationships may now be strained by remote working and other new realities fomented by lockdowns and other restrictions.[5] In the early days of the crisis, some managers went overboard trying to maintain close relationships with their remote workers, checking in too much on their progress rather than giving

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them greater autonomy. As these working arrangements might remain in place in a post-COVID world, family enterprise leaders may need to find new ways to engage with their teams that preserve feelings of proximity without being overbearing. We also considered how care needs to be taken to communicate the reasoning behind any new technologies put in place to track workflows and productivity.

In other areas, the advantages that family enterprises have historically enjoyed may keep them from tapping new and possibly fleeting opportunities coming out of the crisis. Such firms' traditional reliance on family as a source of capital, for instance, could prevent some from taking advantage of financing alternatives with increasingly attractive terms. In *Liquidity options can help position family firms to thrive*, we called out a number of financing vehicles—such as private equity and debt—that are increasingly available for family enterprises to better capitalize their companies and support transformation initiatives.[6] Similarly, in *Putting family first in IPO deliberations*, we talked about pursuing public share sales as flex tools for families looking to reduce their involvement in the future, even as they retain control in the short to intermediate term.[7]

**Driven by purpose**

As family business leaders look to address these vulnerabilities and build more resilient organizations for the future, it will be incumbent on them to stay aligned when it comes to the basic reasons they're in business together. Throughout the series, we have examined the role of purpose in family enterprises and how it serves as a unifying and clarifying force. Purpose is poised to take on even greater influence going forward—more than two-thirds of the respondents in our latest Deloitte Private global survey said purpose is taking on greater importance for their organizations.

The use of family wealth is one area likely to see renewed focus. In *Beyond business: Philanthropy and strategic investing*, we looked at how philanthropy can be a visible demonstration of a family enterprise's commitment to the community and the causes they believe are important.[8] Creating a legacy of giving back can also be a meaningful way to foster family cohesion and offer family members of all backgrounds a chance to contribute to building or preserving the "family brand." Families looking to make a greater impact will need to apply the same level of discipline to achieve a suitable return on investment from their philanthropic activities as they do from running their business.

As the world looks toward "the next normal," important conversations may need to be had to ensure family members are aligned around their core values and how their shared purpose will drive business decisions.

When the next crisis hits, family enterprises that are purpose driven and aligned may see much clearer paths to not only respond to near-term challenges but position themselves for long-lasting success. This was one of the key takeaways from another installment in the series, *Your family business: Planning for what's beyond the horizon*, which emphasized the use of a "zoom out to zoom in" approach that starts with a 10- to 20-year planning period to help organizations prioritize investments that need to be made today.[9] Leaders and their successors at family-run organizations are far more likely to see priorities through to their conclusion, making purpose particularly important as a legacy-building constant.

## Inherent vs hard-won advantages

While many family enterprises believe their ownership model affords them certain inherent advantages, the COVID-19 pandemic has made clear that these differentiating traits should be nurtured in order to preserve trust and deliver persistent value. Agility in decision-making, values-based workplace cultures, the ability to think long term—these qualities may be embedded in the DNA of family enterprises but that doesn't mean they will automatically make such organizations more resilient or free from disruption in the future. It will take concerted effort, in both applying these advantages for organizational success but also translating them for a world seeking solutions to pressing social needs. In the post-pandemic landscape, family enterprises have a tremendous opportunity to build on their strong community bonds and help reshape society for the better. Now is the time to take the lessons learned from the past year and reposition for a more prosperous and resilient future.

Often in business, progress is driven by first asking the right questions and then working toward the answers. Throughout our Resilient Family Enterprise series, we posed questions to draw attention to important issues that family enterprises might consider. We hope these articles have helped family enterprise leaders think about some of the decisions they're likely to face in the months and years to come, and manage the increasing complexities involved with balancing their family and business needs.

## Notes


1. Deloitte Private, *Global perspectives for private companies,* May 2021.
2. Deloitte Global, *Building the resilient organization: 2021 Deloitte Global resilience report,* January 2021.
3. William Chou, *Leading with trust as a family enterprise—a global perspective,* Deloitte Private, November 2020.
4. Deloitte Private, *The role of governance in family enterprises: Navigating purpose, power, and performance,* August 2020.
5. Deloitte Private, *Cultivating a post-COVID workplace,* November 2020.
6. Deloitte Private, *Liquidity options can help position family firms to thrive,* June 2021.
7. Deloitte Private, *Putting family first in IPO deliberations,* April 2021.
8. Deloitte Private, *Beyond business: Philanthropy and strategic investing,* October 2020.
9. Deloitte Private, *Your family business: Planning for what's beyond the horizon,* December 2020.


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