

## **United or not? Family Businesses must choose now**

### *Choices for a Sustainable Family Business Legacy*

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“Moments of crisis can bring families together or they tear them apart – the choice is ultimately theirs...” For most people this quote evokes a typical response on the perils of family businesses – the forced interconnectedness, the difficult and oft-repeated conflicts, the inability to move forward nor walk away – all of which are greatly amplified in turbulent times, leading to the predicted downward spiral.

However, it will surprise most to learn that these words, spoken to us by the wise patriarch of a family business, were expressed to represent a fundamental strength and, if you allow, a sustainable competitive advantage of family businesses. Families, unlike traditional corporations, have an innate ability to rally together in difficult times; relying on their previous bonds, shared history and values, common goals, and yes even that forced interconnectedness to bring about a singular purpose of surviving with strength. Families can also leverage a unique, emotional context which is highly effective in unifying management and staff behind this forward charge. However, harnessing these strengths is a choice for the family, one requiring focused attention, planning and execution. With the current COVID-19 global crisis – a 100-year black-swan event – this choice is more critical than ever, and family businesses must choose now.

### **“Blind Spots”**

As we studied the responses of family businesses to current events, we found all focus has naturally turned towards protecting the physical health of family and employees, and on safeguarding the operating businesses and investments. Some families have even pivoted to new opportunities in health and technology. However, the hastiness of actions on the business and financial fronts has left unattended several “blind spots” on the family front. The risk for leaders is if these blind spots remain ignored in this climate of uncertainty, the family system will be impacted in lasting ways, negatively altering internal dynamics long after this crisis has abated, and thus posing new threats to the legacy.

We would like to highlight 3 critical blind spots family leaders must address as part of their response to the crisis. These include a) actively confronting the psychological fear caused by the crisis, b) ensuring unyielding family unity by driving an aligned mission and proactively managing conflict, and c) leveraging the talent pool in the next generation and strengthening family succession plans.

#### **1: Confronting fear and paralysis**

The first blind spot leaders must address is the psychological fear caused by the crisis- a

challenging feat since the fear is not isolated to any one group. The senior generation naturally fear that what they have built over decades will lose significant value in the span of a year and any possible recovery will be long. The middle generation, amid their daily firefighting, are plagued by thoughts that the ship their parents built may sink on their watch, and by the worry of losing their livelihoods and a compromised future for their children. Those not in the business are terrified about whether they can continue to count on much-needed financial support from family owners. Finally, the younger generation are looking ahead to their first big failure in life, as their nascent ventures struggle to stay afloat or other immediate life plans are in jeopardy. They are fast losing confidence, and many are paralyzed by the challenges in front of them.

To tackle these different fears, the family first has to acknowledge them. A family which can openly talk about their fears is better positioned to deal with them. Yet many choose to bury their anxieties, with parents wanting to protect their children, and children not wanting to worry or disappoint their parents. Family leaders must break this pattern by encouraging open communication among all family members, including discussing fears, and they must lead here by example. In cases where members are not comfortable speaking in larger gatherings, smaller, private groups should be encouraged. Sharing anxieties can be coupled with a healthy discussion around coping strategies, possibly using external health experts. Leaders should be actively engaged here as members need to feel that they are being heard and considered in the important decisions to come.

Leaders should also prioritize having regular, transparent and structured communication with the family, providing the latest relevant updates on both business and financial fronts. Given the current speed of change, we find most families are communicating fortnightly over video calls, some even weekly. Even if the outlook is grim, we find family members are greatly comforted when kept informed, and when they feel like they are not alone.

## **2: Ensuring “one voice”**

One need not look far to see the strength of the family construct these days, and to admire the creative ways in which members come together even when they cannot physically be with one other. We are all more engaged with our families, helping keep each other’s spirits high, supporting struggling members, and even cheering those on the frontlines. These are priceless deeds, bringing us closer when we need each other the most.

However, in the context of family enterprises with a portfolio of businesses and investments, more is needed. Leaders here have the added responsibility to ensure the entire family is united behind a common mission. In our experience, today’s leaders are focusing their families on two fronts: on one hand they are frantically working to safeguard assets through the current operational disruption; on the other they are refocusing internal resources to rebuild for the “new normal” post-crisis. Seamless execution on both fronts is vital and leaders must ensure the family has *one unified voice* in all matters.

This effort is often complicated by family conflict, which in stressful times can easily flare up and get out of control. Blame is a common theme, with members accusing each other of poor

decisions or behaviors from the past, then seamlessly transitioning into a heated debate about the future. Decisions made here, if made at all, are often delayed and sub-optimal, and generally followed by disjointed, unfocused execution.

It is critical for leaders here to get in front of conflict. Aligning everyone behind a common purpose is the first step and can be coupled with a general appeal to everyone to put aside past conflict. However, leaders must also employ targeted interventions with parties who are often in conflict, urging them to set aside egos and supporting them to actively collaborate through the crisis. We have found that this proactive approach can in fact be a catalyst to heal past hurt and resolve conflict between long-feuding members.

### **3: Leveraging the next generation**

Last month, we conducted a straw poll at an event with family business owners on their succession plans given the looming crisis ahead. Most in the room leaned towards delaying succession, reasoning the next-gen are unprepared and cannot act decisively. Interestingly when asked about trainings that could prepare one for such times, most agreed there were none. Finally, when prompted to reflect on their own life experiences which have prepared them for today's world, many spoke about younger times when they were forced into an unplanned, difficult situation, needing to deal with uncertainty and act quickly.

This poll reflects an inherent bias among family leaders, who often become conservative after wealth is created and assets are in place and take on an overly protective stance when tough times are at hand. This is further validated in our recent conversations with next-gen members, where two themes emerged – they either feel under-utilized by older generations, left on the sidelines to “watch and learn”; or if utilized they feel a lack of trust from older generations in their abilities to manage critical tasks. Consequently, these youngsters are losing confidence in themselves, hindering their ability to lead and face future challenges.

To tackle this, leaders must recognize this is an opportune time for the next-gen to develop both skills and confidence critical to their future as successors and stewards of the legacy. Rather than witness important moments from the sidelines, they should be entrusted with critical responsibilities to go deeper into issues and execution, and to serve as conduits to the board providing data, insights and feedback to inform key decisions. Recognizing several industries are rapidly accelerating digital plans, many families are quickly tapping their younger generation to lead and support these initiatives given their technological prowess.

Leaders also need to build confidence of the family in the upcoming successor and the succession plan, critical to a sustainable legacy. Thus, if possible, they should refrain from postponing succession as this undermines confidence in the successor and the system that chose him or her. Instead they should ensure succession timelines are maintained. In special cases, where the successor has demonstrated strong leadership skills, succession can even be accelerated in a managed way to show confidence in the young steward. A special task force, with both old and new leaders, should be formed for critical initiatives which would alleviate concerns of those who are unnerved by a transition during this period.

To conclude, it is critical for family business leaders to address the “blind spots” discussed here as part of their response to the current COVID-19 crisis. A focused approach in these areas would not only complement, but greatly strengthen the family’s current efforts towards their businesses and investments through a united family front, thus ensuring their singular purpose to survive with strength into the post-crisis world.

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