5 Ways Family Businesses Can Adapt to Covid-19

Kerry Hannon (McGraw Hill Connect, Yahoo Finance, New York Times)

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There are "unique challenges with a family business, particularly when it comes to making tough decisions in difficult times," a friend of mine who runs a leisure and hospitality business with her siblings, wrote me this week.

I had sent her a note asking how things were going since the coronavirus shuttered the doors on a myriad of enterprises and I knew her industry was particularly slammed. She thanked me and said the question was a little "close to the bone." But, she added, "Having a strong brand identity established by our parents has frankly been a beacon of light and inspiration during a very dark period."

I decided not to press her about what the company has been faced with, knowing that the situation is very personal for family business owners (https://www.nextavenue.org/older-small-business-owners-pandemic-help/) . The repercussions of making tough professional decisions can have a lasting impact on family relationships. (For more on this and other advice for family business owners, check out Familybusiness.org(https://www.familybusiness.org/) , from the University of St. Thomas' EIX, Entrepreneur & Innovation Exchange; full disclosure: EIX and the Richard M. Schulze Family Foundation are Next Avenue funders.)

"This crisis is forcing family businesses to make trade-offs among objectives that would have previously been unimaginable — all while dealing with the complex dynamics of a family," wrote Josh Baron (a partner and co-founder of BanyanGlobal Family Business Advisors) and Ben Francois (a principal there) in their Harvard Business Review article, *A Crisis Playbook for Family Businesses*(https://hbr.org/2020/04/a-crisis-playbook-for-family-businesses) . "But family businesses differ from other companies in that their form of ownership gives them the ability to take critical actions that could help them through these difficult times."

A recent BanyanGlobal survey of family businesses found that 82% had seen a negative impact on their business from the COVID-19 pandemic at and about half of those said the impact has been significant.

During crisis times for family businesses, "family members tend to come together and do whatever it takes to promote the family's health and prosperity," says Kimberly A. Eddleston, a professor of entrepreneurship and innovation at Northeastern University and a senior editor on the EIX Editorial Board. "Opportunities for a family to come together and work towards a common purpose make the family stronger."

The Advantage Family Business Owners Have

And that's a distinct advantage that other entrepreneurs don't have.

"Being a family business can be a real strength, because they can rely on family members to chip in where needed," according to Eddleston. To harness the lessons of this crisis, Eddleston is gathering information through a survey of family business owners (https://familybusiness.org/content/be-part-of-an-important-survey-about-coping-with-covid19) .

For more about how the pandemic is affecting family business owners and how these entrepreneurs can best adapt to it, I interviewed BanyanGlobal's Josh Baron. Highlights:

Kerry Hannon: How do things look out there for family business owners?

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Josh Baron: Most family businesses are stressed and filled with anxiety.

There is always this pressure in a family business to not be the one to screw it up. If you are the one running the business, you are feeling that pressure in a time when, through no fault of your own, it could go away.

What surprised you about your survey's findings about family business owners and COVID-19?

You see examples of businesses with revenues dropping fifty percent or ninety percent. No one builds a plan with revenue going away to such an extent overnight.

How has the pandemic impacted family relations at family businesses?

Our survey shows a split between those reactions: twenty-nine percent have seen some negative impact on family relationships, while twenty-six percent have seen a positive impact (the rest have seen no change).

It's understandable for those having negative reactions, because this is a stressful moment. If the decisions you are having to make are about laying people off and cutting salaries and cutting dividends, stopping projects — these have a real emotional impact.

But we also saw that this is a moment when members of family businesses come together, a rally around the flag effect, where it's a sense of let's put aside our differences and focus on saving the business.

How does having a mission (https://www.nextavenue.org/family-business-social-mission/) or purpose help?

This does offer that kind of opportunity as a silver lining. We are seeing a lot of families coming together around the need to save the business, to save the employees, rescue as many careers as they can, to continue this legacy as something they really value and to come out the other side as strong as possible.

If you have a sense of purpose and here's this mountain that we are trying to climb, here's what we are trying to accomplish together, it helps you deal with all of the daily challenges, issues and stresses that come with working together as a family.

If you have something you value in the business beyond the financial results — maybe it is the impact on your community — you can create something that motivates and brings people together.

The Opportunity Offered by the Pandemic

Why is this an opportune time for family business owners to have conversations with other family members in the company that may have been pushed aside in the good times?

A real advantage of a family business is you are naturally thinking ahead.

'I really want this business to last beyond me for the next generations, for my children and my grandchildren.' That can be a very motivating effect.

Why are family businesses well-positioned to survive this business shock?

As a general rule, family business owners are making decisions not on ways that rely on results this quarter or maybe next year, but in being able to make investments that might not pay off for a year or two or even longer.

That generational approach and mindset can be really valuable in a time like this.

Unlike public companies, which typically focus on maximizing shareholder value, family owners value objectives that usually go well beyond financial returns — such as family legacy and reputation.

This period is an example of that ability to think over the long-term and realize that this year is going to be tough. We have to tighten our belts, cut our costs, cut our dividends, cut our salaries, but it will pay off in the long term.

We have also found that family businesses are able to make big decisions very quickly. That nimbleness is proving to be a real asset now.

How has COVID-19 helped get family members more involved in the businesses?

It is creating a fertile ground for bringing people into discussions that might otherwise not have been asked to participate.

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For those who have been around twenty years and have been through other crisis points, they look at this as an opportunity to bring the next generation into the conversation and explain to them: 'We made it through previous ones, here's what you can learn.'

What are the obstacles in navigating COVID-19 that a family business might face?

When things go bad for a family business, it is not just in a professional sense, but in a personal sense. It intermingles and spreads over and there are no boundaries.

It can be very stressful. The business is on the line, careers are on the line. It can spiral out of control.

You need to press the pause button. Go back to the question: Why are we doing this? Hopefully, turn the moment into a positive way of improving relationships.

But the pandemic has the potential of making things a lot worse. It puts things on the table you never would have had to worry about, like that brother or cousin who is making a lot of money and not really doing anything. You might have looked at that as a cost of doing business. Now you aren't able to afford that. Now, you have to deal with them in an environment when people are feeling really tense.

5 Tips for Family Business Owners During COVID-19

What are your five key pieces of advice for family business owners now?

Number one: focus on innovation**.** Don't waste this opportunity to have a hard look at the way things are working. One retail firm we have worked with has always talked about having a more direct to consumer approach, but never gotten their eyes to focus on it. By necessity, a lot of the retail stores they have sold through have been closed, so they have had to focus on it.

Number two: start thinking about what your company will look like after this. How do we keep things going right now but put more energy on when we come out of this?

Number three: preserve cash (https://www.nextavenue.org/ways-entrepreneurs-can-plan-for-recession/) . Cash is never more important than when you are in a crisis. Make sure you are taking steps you can to strengthen the balance sheet, so you can navigate through what is to come.

Around sixty percent of our survey respondents say they have reduced or shifted operating expenses to preserve cash.

Number four: live your values**.** Who you are as a company, and as people, comes out in the decisions you make in a crisis. As a family business, you want to make sure that you anchor yourself in that conversation of who you are as a family and what are the values we bring to this business?

Make sure the decisions you are making, if possible, are really reflective of those values.

I see in the families we are working with that they are making choices to keep employees or being generous in severance or helping employees find other jobs or repurposing them to other positions within the company rather than lay them off. It's a more human approach.

Investing in people and communities is so much a part of who they are.

And number five: Communication is the most important part of making a family business work. Trusted relationships are one of the most valuable assets of a family business. In the absence of communication, people will draw their own conclusions — which are often negative.

A dialogue gives people a chance to share concerns and ask questions. It's amazing how many family businesses that didn't have any sort of platform like Zoom or Microsoft Teams became very adept at using it, due to necessity. Across the board, the comfort level has gone up and opened up communication better than before.

This will be a beneficial leftover of this crisis. Some of the comments we received from those participating in our survey include: 'COVID-19 has brought us closer together for the time being, and we have put aside differences.' And 'We have seen greater family unity, with more concern for each other.'

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