



# Opportunity knocks

## Family Businesses in the eye of the storm (3) – An international survey

---

In our **first article** we focused on the massive challenges that Family Businesses (FBs) are facing – and how this unprecedented crisis is impacting these privately held businesses. Uncertainty and unpredictability, great concern for their employees and, of course, often huge declines in turnover and profits were mentioned most frequently. In the **second article** we described how FBs are adapting to survive – focusing on the measures they are taking: intensive communication with all stakeholders, a widespread attempt to retain the majority of their employees despite the enormous cost pressure, while overall ‘running a tighter ship’. In this third article, we will look at opportunities many of the FBs are spotting and how they intend to leverage them.

We have all heard the phrase “Never waste a good crisis” but in an emergency of such breadth and severity does this business school maxim still hold true? According to our respondents, the answer is a clear “yes” – and they see a variety of chances.

### Change programmes

Many of the FB owners and CEOs believe that the crisis provides opportunities to drive change and transformation initiatives – “the big opportunity for the company is to accelerate the change that we had planned, to become quicker and more e-commerce enabled”; “less convincing time is needed because everyone is in survival mode”; “long-needed restructuring programmes that had met resistance in more comfortable times can now go ahead”.

### Customer intimacy

Many Europe-based FBs are looking to use this crisis to become closer to their clients. As an example, one Zurich-based industrial company is telling its customers “Yes, we are more expen-



sive (than competitors from Far East) but we are Swiss, and we guarantee high quality, we always deliver, and we are working for you 24/7". The internal credo is: "We help our customers and show them that we are better."

## **Closer Owner-CEO relations**

As mentioned previously, all CEOs we interviewed stated that the frequency of communication with the owners had increased – "now, I speak with the owner family every day, seven days a week". Many hope that this greater, and often more intimate, level of communication will lead to even closer and more trusted relationships with the owner family.

## **Market consolidation**

Almost all the CEOs we spoke to expect to see market consolidation over time, "when players who lack sufficient capital and make low margins due to dumping prices go out of business".

## **Moving into growth areas**

One example is a pharmaceuticals wholesale and logistics business where the Owner & CEO has very quickly repositioned his company to trade face masks and disinfectants, product lines which they did not previously handle. Another company, which manufactures air conditioning systems for cars, is now researching whether these units can be made impermeable to viruses.

## **Virtual working**

Many companies, having been forced into adopting virtual working as a lockdown necessity, are coming round to the idea that it may have advantages even when governments lift their restrictions – less business travel could equate to reduced travel costs and a lower carbon footprint; home-office could equate to less rent for expensive city-centre offices and no time wasted on commuting, etc. While many executives are still grappling with personal presentation and styling issues when on VCs ("What is the dress code?"; "How do I convey gravitas?"), there is no doubting that "the technology works".

## **Digitalisation**

Linked to the above, is an accelerated shift towards digitally enabled business models. On the sales side, go-to-market will be driven by ecommerce and omni-channel rather than being (over-)reliant on retail channels that have been decimated.

## **Succession planning**

Several businesses who have been alerted to the problem of having no back-ups for Key Workers have started to map out their organisational deficiencies and talent development needs in a much more systematic way, as a first step towards building greater bench strength in their teams.



## Worker availability

Several FBs had previously been struggling to attract manpower and talent in countries such as Germany with a very tight labour market and historic-low unemployment rates. They are now expecting restructurings and mass lay-offs by weaker players to free up skilled workers.

## NextGen

One owner family has used the crisis to start an education and onboarding process for the Next Generation with the aim to help them become well informed and knowledgeable shareholders over time. This process was accelerated during the lockdown phase as family members had to stay at home and were generally more available.

## Insourcing

A number of CEOs envisage a shift towards insourcing and multiple sourcing. In pharmaceutical distribution, for instance, this is seen as a big issue – with a (politically driven) trend to bring manufacturing of pharma and other healthcare products back to Europe. One pharma distribution company had previously warned of the dangers to supply in a pandemic but felt ignored. “The health insurers and the politicians only cared to drive down costs and thus prioritised getting supplies from Asia. Now they have second thoughts!”. Companies are looking for opportunities to lessen risk and reduce dependencies, e.g. in manufacturing, where “today, everyone is China-dependent. The lesson (of this crisis) is that we should not be dependent on only one supplier.”

## A New Era of Deglobalisation?

Read through any business journal, on any given day, over the past month, and whether it is The Financial Times, the Neue Zürcher Zeitung or the Frankfurter Allgemeine Zeitung, you are almost guaranteed to come across a report or opinion piece predicting the imminent end of globalisation and a new era of localisation. With hard borders making an unwelcome return across Europe and factory shutdowns in Asia disrupting worldwide supply chains, it would seem to be a ‘no-brainer’ that this deglobalisation thesis is correct.

Some of our interviewees spoke of how they envisaged “moving from efficiency in the supply chain to safety in the supply chain”. Others spoke of their wish to reduce an “over dependency” on China and lessen its significance to their business. Many leaders are also thinking deeply about ways in which they can improve their organisational resilience and reduce complexity. Additionally, localisation, as a strategy, has some benefits in its own right and not just as a reaction to the pandemic restrictions, for example in the food and pharmaceutical sectors where consumer tastes or government regulation play a big role.

However, the majority of owners and CEOs we spoke with believe that – in the long-term – this deglobalisation thesis is being over-stated:



- Their perception is that some of the threats to globalisation – such as increased nationalism – pre-date the Corona-crisis and are part of a cycle which ebbs and flows. FBs with a long institutional memory recognise that they have lived through such political tendencies before and still survived as international traders.
- They also believe that interdependence between companies and countries is so high that globalisation can never be rolled back fully.
- The CEO of a worldwide consumer business stated that much of the debate about deglobalisation is “emotion talking” and believes that the big question will be “currency risks”.
- One Managing Director of a private bank initially feared that the crisis “could be the beginning of the end of globalisation as we know it” but has now changed his mind: “Everyone wants to return to their previous lives – and while we will see changes and adaptations, most people will continue to operate across borders.”

The feeling of the group may be encapsulated in the words of a B2B company owner who said that globalisation “may be slower and there may be hiccups, but we supply large industries, our customers are everywhere – and because of that, so are we”.

In our fourth and final article, we will turn to the question that interested us most when we initiated the survey: Are Family Businesses better able to survive crises?



**THE TRUSTED ADVISOR** are our firm's regularly published articles, featuring not only insights derived from our project work but also guest posts and interviews with leading business figures. They offer food-for-thought and practical advice on a variety of key topics in the leadership, ownership advisory, governance and strategy domains.

Should you wish to receive **THE TRUSTED ADVISOR** automatically and on a regular basis, please send an e-mail to: [tta@avs-advisors.com](mailto:tta@avs-advisors.com)

You are welcome to recommend and share our articles. All previously published articles can also be found on our website: [www.avs-advisors.com/trustedadvisor](http://www.avs-advisors.com/trustedadvisor)

## Office Frankfurt

Untermainkai 31  
60329 Frankfurt  
Germany

[frankfurt@avs-advisors.com](mailto:frankfurt@avs-advisors.com)



## Office Geneva

Rue du Mont-Blanc 19  
1201 Genf  
Switzerland

[geneva@avs-advisors.com](mailto:geneva@avs-advisors.com)

## Office Zurich

Tödistrasse 36  
8002 Zürich  
Switzerland

[zurich@avs-advisors.com](mailto:zurich@avs-advisors.com)

## Office Hamburg

Neuer Wall 80  
20354 Hamburg  
Germany

[hamburg@avs-advisors.com](mailto:hamburg@avs-advisors.com)

## Office Paris

7, rue Georges Ville  
75116 Paris  
France

[paris@avs-advisors.com](mailto:paris@avs-advisors.com)

## Office London

9 New Square  
Lincoln's Inn  
London WC2A 3QN  
United Kingdom

[london@avs-advisors.com](mailto:london@avs-advisors.com)

## Office Bogotá

Edificio Bogotá Trade Center  
Cra. 10 No. 97A-13, Torre A,  
Oficina 701  
Bogotá, Colombia

[bogota@avs-advisors.com](mailto:bogota@avs-advisors.com)