



WIFU_compact_17:

Digital Openness and Digital Readiness

The business family has a significant influence on the digital transformation of its business – even if its interest and competencies are not yet fully developed. Their openness and their reservations both set the direction. In a nutshell: It is impossible not to digitalise in the 21st century. Anyone who speaks of “digitalisation” in this context must come clean as an owner, managing shareholder or advisory council member of a family business.

Is technological transformation faster than the change within our minds?

Family businesses think and live in the long term. However, this does not mean that they cannot adapt quickly to new environments. A willingness to try the unknown boils down to open-mindedness, curiosity and courage: these traits can together be summarised as *digital openness*. We should not underestimate this openness: when a business is determined by one family, their commitment is crucial for the success of digitalisation. Mere lip service is easily spotted and is especially dangerous in businesses led by executives who were educated in a pre-digital period and whose achievements were possible without digitalisation. This also creates a considerable risk of conflict between the senior generation on one side and the digitally-oriented succeeding generation on the other.

Where do we find digital openness in running businesses?

Certain approaches have proven to be useful in fostering and promoting digital openness in a way fruitful to the business.

Integrating digitisation into the familial value system The business family must find a common understanding of digitalisation that suits them. Especially in family businesses, decisions do not always rest purely on managerial thinking but are also determined by the values of the family. To take control of digitalisation, it is necessary to have open communication about the meaning and handling of the digital transformation and its consequences.

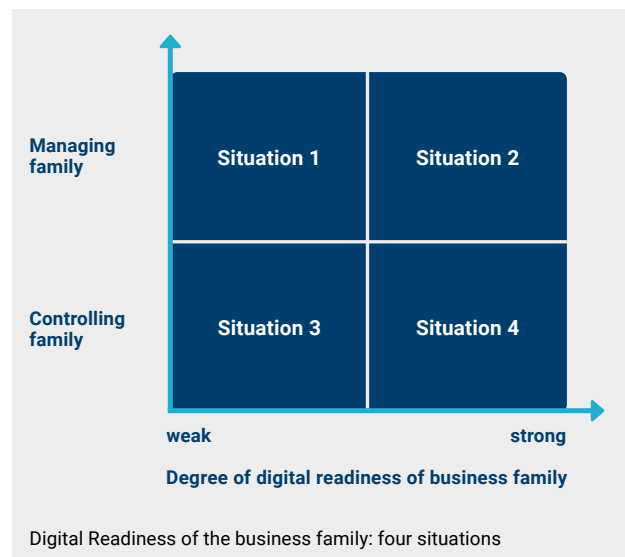
Handing the reins to the Next-Gen Digitalisation may be a subject that divides generations to such an extent that inter-generational conflict emerges. Therefore, dialogue between generations is needed to enable NextGen, who grew up with the internet and smartphones, to actively participate and assume responsibility. The senior generation has to accept that their decades-long experience is no longer an unchallenged advantage and that the Next Gen offer valuable resources through their knowledge of and capacities in the digitalised world. As long as they are willing and competent, younger family members should be heard and involved in decisions and be able to take on leading positions in relevant projects.

How will digital openness turn into new products and services?

In simple terms, it won't. A second ingredient is needed: so-called *digital readiness*, the willingness and competence to digitalise. The degree of digital readiness will determine whether the business family has the knowledge needed to initiate, steer and control such projects. Typically, digital readiness is observed less among the senior generation.

How is the handling of digitalisation linked to the governance structure?

WIFU categorises family businesses according to four mental models, each showing a different typical governance structure. The strategies to offset digital transformation discussed in this text can be used in the framework of the two mental models of the “managing family” and “controlling family”. The managing family is present in executive management and determines the digital path of the business through direct decision-making. In contrast, the controlling family remains influential in the development of the business through their positions on supervisory and controlling bodies. All four situations in the matrix (S1 to S4) may be complemented by empirically validated strategies to foster the digitalisation desired.





S1: Hiring an external CDO Expanding the leadership circle with a Chief Digital Officer (CDO) from outside the family may fill the family's competency gap. However, business families often fear that handing too much power to a CDO may bring about a "loss of control". Thus, it is crucial to choose a candidate for this position carefully and to remain prudent.

S1: Implementing a staff position A staff position is an alternative to a CDO and allows the family to remain in control of the process. A side benefit would be the gradual transfer of knowledge from the staff position to the business family.

S1: Prepping Next-Gen Networking, affiliation to the "digital community" and a certain disruptive competency have turned out to be clear factors for success. The Next Gen will acquire leadership skills more easily in a start-up business than following the "traditional" trail in another firm or organisation.

S2: Choose the digital champion of the family to become the new CDO In the ideal scenario, one of the family has the appropriate skills to become an executive for digital issues within the firm. This person should be given full authority in the applicable post in the leadership circle.

S3: Developing digital competency In this scenario, the business family must acquire digital knowledge. Thus equipped, in combination with their knowledge of the business, they can become important pacesetters and competent supervisors of an external management team.

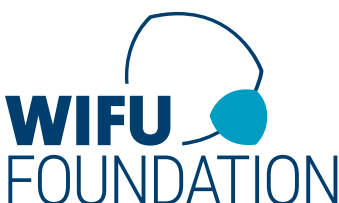
S3: Implementing a "digital advisory board" Members of this advisory council should be external experts from the private digital sector and decision-makers from the business who already have the necessary competencies. The digital advisory board anticipates and identifies digital trends, opportunities and risks as well as recommending appropriate responses.

S4: Focussing advisory and controlling mandates on digitalisation This situation usually involves (at least) one family member who already has a high degree of individual digital readiness. This individual should be mandated to consult and control the external management team as well as to suggest new digitalisation measures.

Does this not mean that the family business must change alongside these processes and products?

Indeed, the family business will change – but this is nothing unusual. Over time, every business changes whether related to digitalisation or not. The final goal of the process is not the digitalisation itself but preparing the business for the future and sustaining its stability. Only those businesses able to adapt to changing environments will survive periods of far-reaching transformation.

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Reference:

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