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# CROSSING THE CRISIS

COMMON & BEST PRACTICES IN FAMILY BUSINESS: COVID 19

## PART 1



# INTRODUCTION

The current crisis presents business and families a level of uncertainty about their future that has not been seen since the days of World Wars. In this climate, the need for accurate, reliable and useful information is greater than ever. The crisis also presents a unique opportunity to learn so that our reactions to and planning for future crises are dramatically improved.

This project was initiated by eight researchers based on three continents, who saw a need to gather ethically and rigorously collected data on the COVID-19 pandemic. The goal of this research is to identify common as well as best practices from business families contending with the challenges posed by the COVID-19 pandemic.

Based on the data collected, we deduct key elements of crisis preparedness and crisis mitigation in both the business and the family realm. Our goal is to provide actionable recommendations that benefits both practice and research. We are looking forward to engaged discussions.

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# AGENDA

FINDINGS FROM THE SURVEY

BEST PRACTICES

NEXT STEPS

## OBJECTIVES OF THE SURVEY

- Identification of common practices that family businesses use to deal with the current pandemic to protect the business and the workforce, and manage the family
- Deduction of key elements of crisis preparedness and crisis mitigation based on the findings from the current crisis to help business owning families prepare for future challenges.

## CHARACTERISTICS OF THE SURVEY

### Global Sample

- > 400 family businesses from German-speaking Europe
- > 350 from the United States
- > 75 from Latin America
- > 50 from Australia and Asia

Time Frame: 2nd half of April / 1st half of May 2020



**FINDINGS FROM THE SURVEY:  
DEFENSIVE AND OFFENSIVE MEASURES  
TO PROTECT THE COMPANY AND  
MEASURES TO MANAGE THE FAMILY**

“Right from the start, we communicated openly and frequently - we were very transparent about everything that was going on in the company. I think this created trust both with our employees and our other stakeholders. We explained in detail our approach to lead the company through the crisis, which allowed us to calm fears and promote stability.”

*(Family Business, Germany, 3rd Generation)*

**DEFENSIVE MEASURES**

CRISIS MANAGEMENT

SECURING FINANCIAL RESOURCES

HEALTH PROTECTION AND WELL-BEING OF EMPLOYEES

FLEXIBILITY AND DIGITALIZATION OF WORK PROCESSES

SITUATION-RELATED OPERATIONAL ADJUSTMENTS

# CRISIS MANAGEMENT

## **Crisis organization**

- Establishment of a central crisis team (daily, bi-daily, weekly meetings); to regulate and assess the situation, decide on measures, adapt
- Additional dedicated crisis teams, e.g. Production, supply, sales
- Adequate staffing of the crisis teams: broad support
- Involvement and targeted use of the supervisory / board of directors, more frequent meetings
- Close coordination with the family
- Preparatory talks with decision-makers from the Chamber of Commerce and Industry, employers' association and political regional decision-makers to ensure support in the event of an emergency
- Provide full transparency of government emergency response so that immediate action can be taken when needed
- Mutual authorization within the management to ensure the ability to act

## **Planning & Scenario Technique**

- Regular reading of analyst reports, set up Twitter account to establish ability to continuously follow important informants (e.g. Ministry of Health, Federal Council)
- Weekly updates of all relevant management parameters optimized to readjust at short notice; signal limits installed
- Step-by-step plan: which measures from which economic development, worst case scenarios developed and calculated
- Several scenarios have been developed for each part of the company by 2021. Measures were developed and coordinated for each part of the company on the basis of a scenario assessed as realistic

## **Crisis Communication**

- High-frequency and transparent communication: honest assessment of the situation, planned measures, schedule; initially daily, later weekly information on the situation of the company or rule changes (intranet)
- Close communication between operational management / works councils / management holding / board of directors / shareholders; (bi) weekly telephone and video conferences with top management and the family
- Video messages from the owners, very positive perception of the family's presence in communication
- Virtual coffee breaks and other virtual social meeting places; In this way, the separate teams stay closer and not only exchange information about the work processes



# SECURING FINANCIAL RESOURCES

## Securing our Liquidity

- Short-term liquidity management: daily liquidity control and planning, weekly cash analysis
- Ensure short-term access to liquidity reserves: securing liquidity from the family and by taking out loans
- Preparatory talks with financial partners regarding the use of existing credit lines and extension of credit lines
- Deferral: taxes and social security contributions, interest, loan repayment
- Cancellation of the dividend to ensure high liquidity

## Rigid Cost Management

- Expenditure review & spending freeze: review and reduction of all (planned) expenses, costs, investments, M&A projects; cancellation of bonuses, hiring freezes, termination of all agency workers and review of fixed-term contracts
- Postponement of costs: postponement of projects, investments, dividend payments, annual performance bonuses 2019, wage and salary round 2020
- Wage adjustments: (Voluntary) wage reductions / wage waivers (partly compensation through additional vacation days), short-time work with an increase in wages to 95%, voluntary increase in normal working hours, conversion of special payments into leisure time, reduction of overtime, vacation cuts, parental leave

“We asked all suppliers and employees whether we could wait with our transfers - but let them decide. With this method, we are currently better positioned at the beginning of the crisis, both financially and culturally.”

*(Family business, 2nd generation)*

# HEALTH PROTECTION & WELL BEING OF EMPLOYEES

## **Protective Gear and Hygiene Measures**

- Early information and training of employees supply of masks, gloves, disinfectants, both for private use and at work; protective screens and face shields in production, protective walls in administration; partial mask requirement
- Cleaning stations, regular cleaning on high-traffic zones and objects (e.g. switches, copiers, door handles), company vehicle equipped with cleaning and disinfectant agents, ozone device for room disinfection
- Social Distancing: equalizing workplaces spatially (renting if necessary), maximum occupancy, minimum distance required consistently
- Blocking or reorganization of the common rooms, closing of the canteen (to-go or delivery), no uncontrolled food supply outside
- Travel ban, access ban for external parties or self-disclosure by visitors, rules of conduct for or restrictions on visitors, suppliers and craftsmen, no mutual visits by employees from different locations, ban on carpooling and public transport, toilet car for drivers of the freight forwarder (since no access)

## **Medical Support**

- Comprehensive quarantine measures in suspected cases, tracing (contact chains)
- Free corona tests and medical support for sick people and family members by company doctor; Corona hotline, emergency telephone

# FLEXIBILITY AND DIGITALIZATION OF WORK PROCESSES

## **Generosity & Flexibility**

- Financial support if required (e.g. interest-free loans)
- Compensation for economic disadvantages (e.g. by prohibiting carpooling or using public transport)
- Flexibility in terms of time for parents whose children stayed at home and the search for individual solutions (e.g. paid leave, additional vacation day)

## **Digital Communication Technologies & Remote Working**

- Use of communication platforms (since ban on face-to-face meetings), e.g. Video and telephone conferences, email, intranet, newsletter
- Unrestricted home office or home office rotations
- Contributions to or infrastructure for home office: laptops and / or larger screens, ergonomic chairs and tables, faster internet

# SITUATIONAL OPERATIONAL ADJUSTMENTS

## **Shift changes & multilevel group strategy**

- Shift start and shift handover only in writing and cleaning between shifts
- Parts of the building strictly separated and no access without authorization
- Multi-group strategy (A, B, C teams) with the possibility of complete quarantine

## **Adjustments in Controlling**

- Increased controlling of the financial figures, daily controlling dashboard
- Cost containment and liquidity conservation goals instead of growth goals
- Targeted accounts receivable management; Extension of payment terms in our sales channel to avoid bankruptcies
- Dunning tightened: Active communication in the event of arrears; More closely accompanied payment receipt, implementation of factoring for customer demands
- Lower customer credit limits, more frequent invoice printing
- Scenario calculations for existing own liquidity reserves
- Internal bridge financing / payment targets for foreign subsidiaries that are badly affected or less financially strong (e.g. Italy, Spain, India)

## **Process Adjustments**

- Contactless processes where possible
- Loading processes with external contact changed, sometimes Adjustment of sales processes
- Expansion of the supply chain
- Increase of raw materials and finished goods, control of the minimum stocks
- Build up a warehouse for critical parts and conceivable disruption of the supply chain

**OFFENSIVE MEASURES**

REALIGNMENT OF BUSINESS MODEL AND OFFERING

DIGITALIZATION AND NEW TECHNOLOGIES

PROACTIVE INVESTMENT

STAKEHOLDER MANAGEMENT

EXCHANGE OF EXPERIENCE AND COLLABORATION

# REALIGNMENT OF BUSINESS MODEL AND OFFERING

- Compensation for losses in business areas by building new offers and / or business areas; e.g. Entry into metal processing / mechanical engineering to compensate for declines in trade fair construction / shopfitting
- Sales activated in markets that are less affected by the crisis
- Active expansion of the product range or the offer
- Offering products or services to help deal with the pandemic; e.g. Infection protection walls for retail & catering, products for respirators, masks, disinfection and hygiene articles, filtration fleeces and media, etc.
- Increase in sales activity, targeted customer contact regarding further transport or storage orders
- Review corporate strategy 2025 (eliminating lossy businesses and revise development plans)

# DIGITALIZATION AND NEW TECHNOLOGIES

- Accelerate and prioritize digitization projects
- Reallocation of resources (R&D and digitization)
- Stronger digitization of work processes in order to become even more independent of the place of work and to reduce unit costs
- Expansion and professionalization of IT systems to enable flexible and time independent work
- Outsourcing applications and data to the cloud
- Consistent with open source products (avoiding licensing traps)
- Switching to digital sales in various business areas, setting up an online shop, early implementation of digital offers for customers that would have become necessary in the medium term anyway
- Strong expansion of social media activities, production of new content, trying out new formats (e.g. insta livestreaming), partly in cooperation with our B2B customers (social media campaign / CSR) and influencers (co-hosting)
- Coincidentally, two new, significantly younger members of the advisory board / supervisory board were appointed to support (in any case) targeted digitization in the company or its products



# PROACTIVE INVESTMENT

- Use of the crisis for necessary, extensive reorganization
- Implementation of long-planned new investments to improve long-term competitiveness
- Investments in strategically important initiatives continued in full - certain programs in their country-specific introduction even accelerated and brought forward in order to be able to use free capacities in sales
- Continuing education (qualification) instead of short-time work
- Creativity competition: new product ideas or business ideas from mixed teams in different locations, similar to the 6-3-5 method
- Suggestions for employee projects expanded, which can be implemented by employees in current times of low employment

# STAKEHOLDER MANAGEMENT

## OFFENSIVE MEASURES

- Active cooperation with unions, strong networking with the local Chamber of Commerce, associations and politics
- Intensive communication with relevant government agencies and authorities in order to achieve the status of a systemically relevant sector in which our company operates (successful)
- Proactive communication and monthly report to banks
- Close customer contact in order to understand how they deal with the pandemic and to be able to develop appropriate strategies on our part; digital solutions found to continue to provide customer service
- Generous accounts receivable management, tariff increase suspended for 6 months
- Intensive supplier contact (risk of delivery failures); alternatives sought if necessary
- Coordination with the major companies in the neighborhood so that measures introduced are known to the management and are not experienced by the media
- Employee survey on the stress situation

# EXCHANGE OF EXPERIENCE AND COLLABORATION

- Lively exchange of experiences through our own entrepreneurial networks, industry associations, purchasing associations or local groups; good examples are immediately copied and integrated into your own company
- Mutual support e.g. in the procurement of masks, partition plates, information material
- Collaboration with other companies from the region, exchange of employees (e.g. employees from neighboring companies taken on for the short run instead of temporary workers), use of infrastructure and sales channels
- Explore opportunities for common products with business partners
- Owners: Exchange with other entrepreneurs on crisis management measures and New Normal

“We used the crisis to tackle a long-planned, but never initiated reorganization project. We are convinced that this will give us a much-needed boost for the future, also in terms of digitalization, which will help us be more competitive and resilient after the crisis.”

*(Family Business, Switzerland, 4th Generation)*

**MEASURES TO MANAGE THE  
FAMILY**

**EFFECTIVE COMMUNICATION**

**FAMILY GOVERNANCE**

**EXPECTATIONS MANAGEMENT**

## EFFECTIVE COMMUNICATION

- Proactive, regular, open and honest, committed, needs-based and timely communication with the whole family
- Much more active information for family members than normally, sometimes (several times) weekly, bi-weekly, monthly
- The aim is to inform the family and to engage in communication
- Topics include the current business situation as well as likely developments, reports on the measures taken, opportunities for family members to appear in and for the company, profit warnings and effects on dividend payments
- Use of several virtual communication platforms: video, telephone, email, newsletter, intranet / shareholder portal, Whatsapp, text messages, social media
- In retrospect, the open communication sparked the initiative and interest of the 5th generation who is not yet in the company

## FAMILY GOVERNANCE

- Update wills, powers of attorney extended to ensure decision-making processes
- Development of financial scenarios from a family perspective, offers of help discussed
- The closer family circle is very small, the pandemic tended to weld them even closer together, appealing to family unity, "we are strong and will survive this crisis together"
- Show family participation in the company's own pandemic task force, participation of family members in production

## EXPECTATIONS MANAGEMENT

- Critical review of all “wants” and “needs”
- Awaken understanding of the waiver of shareholder withdrawal; Please, "leave a part of it as a shareholder loan in the withdrawal accounts" to ensure liquidity
- Shift dividend payments to autumn if the extent of the crisis and its effects can be more precisely determined.
- Individual discussions about the consequences of the crisis for the distribution policy so that shareholders can plan financially



"It is important to have open, direct and timely information about the situation, measures and the desired and achieved results.

Uncertainty is poison - it paralyzes and drives the family apart."

*(Family business, 3rd generation)*

The image features a white background with yellow geometric shapes at the top and bottom. The top shape is a large triangle with a white outline, divided into three smaller triangles by two white lines meeting at the top vertex. The bottom shape is a complex polygon with a white outline, consisting of several interconnected triangles and quadrilaterals.

**WHAT CAN WE LEARN?  
BEST PRACTICES**

## BUSINESS

## FAMILY

### BEST PRACTICES

CRISIS COMPETENCES AND  
AGILE CRISIS STRUCTURE

VALUES WORK, ALIGNMENT  
AND COHESION

COUNTERCYCLICAL INVESTING  
AND COURAGEOUS CHANGE  
PROCESSES

FAMILY GOVERNANCE

COMMUNICATION, EXCHANGE  
AND NETWORKING

ENGAGEMENT AND  
COMPETENCES

# THE BUSINESS

## BEST PRACTICES

### CRISIS COMPETENCE AND AGILE CRISIS STRUCTURES

- **Crisis competence can be acquired:** scenario techniques – the development of different future scenarios – as well as crisis plans of any nature train thinking and increase the effectiveness in the implementation of the measures that have been decided.
- **Crisis management must be agile:** the necessary ongoing integration of new knowledge takes place systematically and over a wide range of channels (own network, experts / science, popular press) requires adaptable crisis structures and processes

### COUNTERCYCLICAL INVESTING AND COURAGEOUS CHANGE PROCESSES

- **Fostering change during the crisis:** necessary changes in the business model (“cutting old braids”) are initiated, testing of new products and services (also in collaboration).
- **Investment despite cost control:** acceleration of digitization projects and investments in the IT system. targeted investment in employee training (instead of short-time work)

### COMMUNICATION, EXCHANGE AND NETWORKING

- **Effective Communication:** addresses all relevant target groups and is proactive, transparent, high-frequency and prompt, direct and authentic.
- **Networking and Exchange:** within and outside existing networks for the development and exchange of best practices

# THE FAMILY

## VALUES WORK, ALIGNMENT AND COHESION

Resilient families actively and systematically maintain their **family cohesion** - if necessary, also virtually. They organize family reunions and a regular exchange of ideas. They ensure that family members share the same values and support the collective goals of the owner group. This requires a regular reflection of the values and a targeted management of expectations within the owner groups, in which the family members express their needs and wishes.

## FAMILY GOVERNANCE

All measures in the context of family governance ensure the circle of owners' **ability to act** and strengthen their **ability to make decisions** - in times of crisis, these skills are more important than ever. Structures, processes and documents (e.g. wills and powers of attorney) are systematically checked for their suitability for the crisis and future viability (e.g. is our family strategy useful and effective even after the crisis?).

## ENGAGEMENT AND COMPETENCE

Long-lived entrepreneurial families ensure the commitment and identification of co-owners across generations and family branches through (pro) active communication and processes that take into account the voices of all family members \*. They continuously invest in the need-based owner competence so that owners can successfully play their respective roles in family and / or company.

\* Several families reported that the next generation had become more interested in the company during the crisis due to the increased communication among owners. Some families encouraged family members to work in the company - e.g. in production - helping out, which had a positive impact on the identification of family members and employees. Still other family members involved in communication, which had a positive effect on the relationship with the different stakeholders.



## N E X T   S T E P S :

**Webinars and global summit** (all info at: <https://ifera.org/crossing-the-crisis/> )

- Webinar for Australian family businesses to take place on July 29, 2020
- Webinar for German /Swiss/ Austrian family businesses to take place on July 30, 2020
- Webinar for Latin American family businesses to take place on July 23, 2020

### **Panel Survey:**

We are putting together a global panel of business owning families to collect more data on crisis preparedness and crisis mitigation. If you are interested in joining the panel, and becoming part of a global best practice exchange group, please contact [Claudia.astrachan@slu.ch](mailto:Claudia.astrachan@slu.ch)