



## ENSURE YOUR FAMILY BUSINESS IS FIT FOR PURPOSE IN A POST-COVID WORLD

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*Many family businesses have inherent strengths that promote longevity and stability. But how can they evolve to survive as the world grows ever more complex and uncertain?*

From LEGO to Toyota, family businesses account for as many as two thirds of all companies worldwide. Some date back more than a thousand years, surviving pandemics, financial crises and waves of industrialization along the way.

“There are two core principles of long-term success that we see in family businesses - resilience and adaptation,” said Peter Vogel, Professor of Family Business and Entrepreneurship.

According to Vogel, there are various factors that contribute to the multi-generational success of family businesses, with six being particularly relevant. This checklist can be used as a tool to conduct a diagnosis of your organization’s health and preparedness.

1. **Long-term perspective.** This means building strong relationships across the family enterprise system and passing on healthy businesses to the next generation. It also embeds institutional knowledge that is valuable during crises.
2. **Financial prudence.** Spending and investing with discipline means that family businesses are less likely to be over-stretched in times of crisis, and have the resources needed as a buffer during hard times.
3. **Emotional connection of family and owners.** Families often have their name, history and values embedded and attached to their business. This emotional connection creates a deep sense of commitment and duty that can prove crucial in a crisis.
4. **Deep rooted values and loyalty.** Family businesses tend to have lower employee turnover rates, are less likely to lay off people in a crisis and have loyal leaders and advisors.
5. **Entrepreneurial renewal and adaptation.** These strengths are part of the DNA of successful family businesses that have had to evolve to survive centuries of change, either by adapting their core activities over time or jumping into entirely new markets.
6. **Enterprising families as a force for good.** Family traditions such as philanthropy and stakeholder loyalty mean that family businesses contribute to long-term societal change, and have an interest in supporting customers, suppliers and employees during hard times.

## No ordinary crisis

The COVID-19 pandemic has hit most companies hard. While many family enterprises have honed and developed the capability to survive shocks, the current crisis feels unique in its complexity - and has challenged even the most resilient and adaptable firms.

“There is something that is quite particular about this crisis - it comes at a time when we are in a globalized world, we are in a world where digitization is at the forefront, and we are in the middle of this fourth revolution,” Vogel said. “Reactivity is no longer an option.”

Vogel recommends three ways to transform the way enterprising families govern and run their businesses in order to prepare for and navigate future opportunities and crises in a rapidly evolving world.

1. **Think and act holistically.** Families must look beyond the strategic aspects of their business. This means regularly reviewing and taking necessary action to ensure each component of their enterprise system is healthy and fit for purpose from the perspective of the individuals, family, ownership, leadership, business and society and environment.
2. **Move closer together in times of crisis.** Revisit family ownership and business governance to align with current needs. Create a cross-function, agile task force to bring together stakeholders in real time. Establish effective, rapid and transparent decision-making and communications processes.
3. **Step up and engage.** For families, this means taking everyone along with you and leveraging younger family talents. From an ownership perspective, family enterprises must signal to all stakeholders that you are in it for the long haul. Businesses must also preserve cash and reduce complexity, while investigating new opportunities.