



# Family Enterprise in the Center of it All

*The impact of the confluence of events that shook the world*

By Fredda Herz Brown and Patricia M. Angus

**It's impossible to look at 2020 and not see family enterprises in the center of the astounding confluence of events that shook the world in the past year. Family businesses—from the smallest dry cleaner on a New York City street corner to large family-controlled firms such as Walmart—were on the frontlines, responding to and being impacted by the COVID-19 pandemic's impact on the economy. Even families without a business were forced to combine family and business under one roof. Family foundations were called on to meet compelling and immediate needs. The decades-long shift in the government's role came to a head, leaving much confusion about responsibilities between public and private sectors. Perhaps not coincidentally, a family enterprise dominated the U.S. election and media cycle. Set out below is a brief summary of key events and ways that family enterprises were in the center of the 2020 whirlwind.**

## Some Key Events

The year started with bushfires in Australia that killed almost 3 billion animals.<sup>1</sup> The U.S. House of Representatives delivered articles of impeachment to the U.S. Senate, which later acquitted the U.S. president, Donald Trump. The United Kingdom left the European Union around the same time that the first coronavirus case was recorded in the United States. By mid-March, the World Health Organization had declared the novel coronavirus COVID-19 a pandemic. In the ensuing months, the United States and all countries around the world responded to the horrors of the pandemic. Students and non-essential workers were sent home to continue their studies and work from afar. By the end of May, Black Lives Matter protests began to proliferate in response to the killings of George Floyd and others at the hands of the police. The summer was marked by devastating wildfires and hurricanes. Fall brought the year to an appropriate close with the nation enduring a contentious U.S. election and increasing COVID-19 cases.

## Impacts on Business

The extent to which family firms were limited in their ability to carry on business can't be understated. For many months and across many states, businesses were ordered to shut down operations. In some industries, the reduction in revenue was nearly total. Businesses had to decide fast how to respond. Payroll Protection Program (PPP) loans gave some respite and allowed companies to furlough in the spring, but by the fall, many companies that had been able to keep employees on payroll shifted to layoffs. Because most small businesses are founder or family-owned, this meant that owners were grappling with excruciating decisions: how to keep a workforce employed when longer term prospects were so uncertain.

Many family businesses relied on their unique characteristics, including long-term thinking and lower levels of debt, to make shifts that allowed them to weather the storm. It wasn't unusual for family owners to direct their boards and CEOs to reduce or eliminate dividends to keep operations intact. Many C-suite executives held back on their own pay to ensure that employees could keep receiving paychecks. But these steps, as generous as they were, could only do so much. Government support was needed, and that was given inconsistently across federal and state lines. More than 20 million people were out of work by May.<sup>2</sup> According to a Pew Research Center study, 25% of Americans had trouble paying their bills, and the impact on lower income families was even more harsh. One quarter of all Americans reported someone in their household losing their job; many compared it to the losses of the Great Depression, with lower income Americans hit hardest.<sup>3</sup> Certain industries, such as hospitality, retail and real estate, were especially hard hit. Many major players filed for bankruptcy, and others might still do so. Looking back, it's likely that many family businesses will find their dreams of longevity cut short, even while some survive due to their inherent resilience.

## Combining Family and Business

In the past, especially in the United States, family and business were considered to be two

very different, and separate, spheres. Yet any owner, manager or member of a business-owning family has always known these boundaries aren't so clear-cut. When your mother is the chair of the board, being CEO can be quite complicated. Despite all the work done to help distinguish roles in family business, the challenges didn't always receive the sympathy one might have hoped. That changed in 2020. With the massive shift to work and school from home, households became makeshift classrooms and offices. Previous boundaries disappeared overnight. Children walked into their parents' "offices," and spouses learned more about what their partners really do all day long. Business colleagues got a glimpse into each other's home lives in ways they might never have anticipated or even wanted.

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Families who shared ownership of a business(s) had to work even harder to keep family out of business and vice versa. Their sense of family connection and values often provided a backdrop for their long-term thinking, and their ability to see a better future on the horizon helped. They also applied this perspective to their relationships with employees and their families, emphasizing ways to keep employees (who are often treated "like family" in a family business) receiving paychecks. For those without a family business, there's now a better understanding of the sacrifices that must be made when, for example, a child needs lunch at the same time a Zoom meeting begins.

## Testing Plans

A fundamental practice of any successful business is to develop strategic plans and test them along the way. In 2020, all plans were

tested. Many that didn't have back-ups and alternatives learned the value of contingency planning. Younger family businesses that had resisted strategic planning had to learn on the job to listen to successors and others with new visions for ways to pivot within and across industries. Beer distilleries shifted to making sanitizers, and textile manufacturers started producing face-masks. Boards that should be involved at a strategic level and provide guidance, feedback and direction to top executives are often missing in smaller family business.

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Thus, this governance oversight is often ignored at best or non-existent at worst. Businesses lacking formal governance found themselves in a catch-up game, approaching 2020 in the same ad-hoc tactical way as they did business before. For some, this has meant scampering for assistance when time is of the essence. Others, larger and with more evolved governance, have had the opportunity to test the plans they put in place in years past. In some cases, this meant pulling down cash reserves, reducing executive salaries and instituting furloughs and layoffs. The lessons are yet to be finalized, but it's clear that those family businesses with strategic plans with "what if" scenarios in place were able to test them in real time while others scrambled to develop new plans.

### **A Delicate Balance**

A fundamental tenet of family systems theory is that a family will do best when it balances the need for emotional independence and togetherness within the family. In 2020, together and apart came to physically define the way that families and their businesses were required to function. Figuring out how to be together when physically apart became a defined need. For others, like young adults struggling to develop an identity, the challenge was doing so when thrown back into their family homes to study and work. Many families and groups of friends created ways to gather together from their own separate spaces. Technology that was the backbone of businesses became the connective tissue for families. Zoom became a new verb!

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### **Developing Resilience**

There were many moments in 2020 when someone would proclaim "it can't get worse," only to be proven wrong on glancing at a news site in the morning. The confluence of challenges—personal and professional—tested one's physical and mental health in ways that no other collective experience had done since perhaps as long ago as World War II. This was a year when those with resilience found ways to pace themselves, create balance and prioritize the many competing tasks at hand. Others may not have fared so well. Family members, friends and employers alike needed to learn to attend to each other's well-being in new ways. The full mental health impact of this year will be felt for many years, if not generations, to come. For family businesses, used to thinking about alternative pathways or strategies, the ability to be resilient comes easily. They will struggle less with adaptation to this new reality. For others who've focused more on preserving the past and who are less agile in their decision making, it will be more of a challenge. The confluence

and rapidity of global trends and changes in so many areas of life will require more skills in dealing with change rather than maintaining homeostasis.<sup>4</sup> Resilience, rather than mere survival, will be the key to adapting and addressing upcoming challenges and opportunities.



### Social Contract and Common Good

The year 2020 solidified a fundamental shift in the role of government and put even more pressure on family enterprises, including both for-profit businesses and philanthropic ventures. With numerous norm-changing actions at the federal, state and local government levels, family businesses have had to provide increased benefits to employees and support for their communities. The question of whether to preserve long-term endowments or increase spending from family foundations and donor-advised funds (DAFs) was no longer philosophical. It became very real. Many family foundations and DAF holders increased their giving to meet the demands. The year proved that family enterprises will have to decide whether and how they want to step into this void. And, if they decide they'd rather not, they have to determine how to support the public infrastructure that's made it possible to be successful.

In the White House, the Trump family enterprise dominated the Republican National Convention as well as the news and developments of the year. The relationship between Trump and his family business was once again a subject of scrutiny, with new revelations coming out throughout the year. From a political standpoint, it was clear that having a businessman in the White House resulted in a very different approach to the role of government support and communications during a national crisis. Another family enterprise, FOX news, was at the center of it all as well. The influence of major family enterprises on public opinion beyond the business world shouldn't be underestimated.

### Looking Ahead

Family enterprises are inextricably weaved into the fabric of society. How they've responded and adapted to the unprecedented events of 2020 impacts everyone. One lesson that 2020 taught us repeatedly is to be cautious of getting too attached to specific plans and assumptions, even about the role of a family enterprise. And, that strategic planning must be done before a crisis begins. The speed and magnitude of convergence of events have taught everyone to avoid certainty and plan for its opposite when looking at the future.

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## Endnotes

1. See [www.cnn.com/2020/07/28/asia/australia-fires-wildlife-report-scli-in-tl-scn/index.html](http://www.cnn.com/2020/07/28/asia/australia-fires-wildlife-report-scli-in-tl-scn/index.html)
2. [www.washingtonpost.com/business/2020/06/05/may-2020-jobs-report/](http://www.washingtonpost.com/business/2020/06/05/may-2020-jobs-report/)
3. Pew Social Trends (Sept. 24, 2020), [www.pewsocialtrends.org/2020/09/24/economic-fallout-from-covid-19-continues-to-hit-lower-income-americans-the-hardest/](http://www.pewsocialtrends.org/2020/09/24/economic-fallout-from-covid-19-continues-to-hit-lower-income-americans-the-hardest/)
4. Fredda Herz Brown, *The Essential Roadmap: Navigating Family Enterprise Sustainability in a Changing World* (2020), [www.amazon.com/gp/product/0578637898/ref=ox\\_sc\\_act\\_title\\_1?smid=A1Y53T3O3Q25L8&psc=1](http://www.amazon.com/gp/product/0578637898/ref=ox_sc_act_title_1?smid=A1Y53T3O3Q25L8&psc=1)

## About Relative Solutions

Families who share assets must successfully manage the joining of their emotional and financial lives. Relative Solutions guides families through the difficult questions that emerge from the shared risks and opportunities that impact their lives together.

We provide a structured space that is neutral, objective, and conflict-free, so a family's best thinking can emerge to solve their most pressing challenges. Leveraging our proven process, families get the sense that change is possible, and are able to embrace tailored, practical solutions that have a substantive and lasting impact.

