

Family Business Pulse and Response to the Pandemic

BanyanGlobal Survey Results – February 2021 Report

We initially conducted a survey of the family business sector in the first half of 2020 to understand the effects of the COVID-19 crisis and to glean advice for managing and owning a family business during this challenging time. As we all continue to navigate the effects of the pandemic, we conducted a follow-up survey at the end of 2020 to assess family businesses' response to the pandemic and to gather practical advice for continuing to manage through the crisis. The survey also took the pulse of the family business sector more broadly.



About BanyanGlobal

BanyanGlobal is an advisory firm that specializes in helping families transition their family enterprises from one generation to another. Our clients are owners of shared assets such as operating businesses, family offices, and family foundations. We partner with our clients to help them make difficult decisions that span their family, business, and ownership interests.

If you would like to sign up for our monthly newsletter, please click [here](#).

For the May 2020 pandemic response report, please click [here](#).

Thank you to everyone who participated in the survey. We appreciate you taking the time to respond and your willingness to share your experience.

Executive Summary

Few businesses have been immune to the challenges of the pandemic, but family businesses may be poised to emerge even stronger than their competitors.

In our survey of family businesses all around the globe, we have found an optimism that they have weathered the worst and expect to gain ground in the months ahead. Sixty-eight percent of those surveyed believe they will have more efficient operations when the pandemic is over. And more than half believe there will be new business opportunities, more efficient decision-making processes, and learning opportunities for the next generation. In fact, a full twenty-five percent of those surveyed believe their market share will increase in the years ahead.

The relative success of family businesses during these difficult circumstances is not a surprise. Family ownership brings a competitive advantage in situations that demand resiliency rather than rapid growth. Family businesses can adapt quickly to changing circumstances and balance the imperatives of navigating through the current crisis with the implications for the long-term. The family businesses in our survey not only prioritized preserving cash, but also prioritized the well-being of their employees and their communities. The last year has not been without its hurdles, as we describe in our report below. A significant percentage of respondents noted that their plans for transition to the next generation are not yet settled, for example. But for the majority of those in our survey, the pandemic has provided a sobering opportunity to regroup and focus the business – and the family. As one respondent put it: “There’s nothing like a crisis to bring the family closer together.”

Methodology: We had over 140 respondents from five continents representing more than 25 industries respond to this follow-up survey to the one we conducted in Spring of 2020. The respondents to this survey are not all the same respondents from the first survey. Therefore, we will draw only general and directional comparisons between the two data sets.

Here are the main takeaways, which are followed by the full report:

- **Impact of COVID-19: It is still a tough environment for family businesses, but it is getting better**
The results of our first survey showed that few family businesses were immune from the COVID-19 crisis. Almost 90% of respondents reported that the crisis had a negative impact on their businesses, and only 5% reported a positive impact. Family businesses are still experiencing a widespread negative impact, but there has been a shift. One respondent noted, “March through May were tough, but we’ve bounced back dramatically since then.” In the current survey results, **66% of respondents report that the crisis has had a significant or minor negative impact on their business, and 22% report a positive impact.** Only 1% reported that their business is in danger of failing.

COVID-19 continues to affect relationships among the family owners of these businesses. **33% of respondents reported a negative impact on relationships, 38% reported no change, and 27% reported a positive impact.** One respondent wrote, “Poor performance has expedited the problems in our business. When performance turned negative, tolerable relationships became intolerable.” Another respondent stated, “Facing a tough year has caused us to realize how important family is and our relationships have grown from it.”

→ **Business response: Family businesses continue to preserve cash**

One respondent summarized their response to COVID-19 by saying, “We’ve tightened our control of our cash flow, and we’ve diversified our customers and our products.” Respondents continue to keep cash in the business by cutting operational expenses, reducing dividends, and delaying capital investments. **73% of respondents used at least one of these cash-preservation tools while 15% used all three.** While still significant, this is a decline from 90% and 23%, respectively, from the first survey. This is a positive signal that family businesses may not feel as strained as before.

→ **Family response: There are high levels of involvement and communication**

The role of owners has not changed as a result of the pandemic for around half of respondents. Across the rest, **46% indicate that owners have become more involved in the family business.** Only 2% indicate that owners are less involved. This is consistent with the results we saw in the first survey.

The majority of respondents have seen no change or some increase in communication to family members, owners, the board, executives, and all other employees since the beginning of the pandemic. **Few have seen a decrease in communication.** For one respondent, “The major change in communication is keeping the staff motivated through more conversations.” Communication can be a tool to ensure stakeholders stay connected and engaged. **For those whose family relationships have been negatively impacted by the pandemic, communication can help.** As one of our clients reflected, “We are learning how to communicate better as a family during the lockdown and making difficult conversations easier.”

→ **Response to community and employees: Family businesses take monetary and non-monetary action**

Family businesses prioritize employees’ well-being. **The vast majority, 90%, have implemented enhanced safety measures for employees.** Almost half, 44%, provide paid support for employees. Some family businesses are creative in the steps they take. One family business takes measures to “keep staff connected and spirits high. We get pizza delivered to their homes one Friday a month and have pizza parties via Zoom. Many of their kids join in on the calls.”

Family businesses continue to support their local communities. 27% of family businesses made monetary donations and 24% made in-kind donations to address COVID-related issues. One respondent noted, “We have fed frontline workers at area hospitals.”

→ **The future for family businesses looks bright**

While the environment has been challenging for many, family businesses also see potential immediate or long-term benefits that will accrue from their response to the crisis. Over 80% of respondents are optimistic about the future of their family business. Many businesses benefit from being family-owned, and family businesses are often resilient. Respondents shared their thoughts on managing the impact of COVID-19. Here is a selection of their advice:

- Act early and make decisions. Review the opportunities that are available; there will be some.
- Be true to your values. If the values are not real in a crisis, then they are not real.
- Be patient and positive.
- Communicate often, listen more, diversify and innovate, and remain calm.
- Don’t insist on trying to put things back the way they were. Explore what could be possible because of the changes that are taking place and be ahead of the curve.
- Flexibility is key. Try things that you never thought possible before.

- Keep your purpose in mind, always.
- Understand that moments of sacrifice can generate great opportunities in the future.

One of the most difficult challenges facing family businesses in any circumstances is successfully transitioning the business to the next generation. More than a third of respondents (37%) are not sure they are on track to successfully transition their business to the next generation.

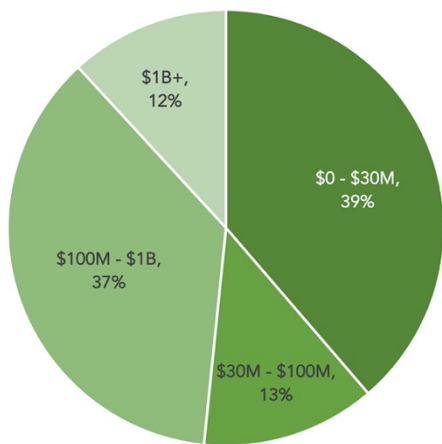
Overall, we see cause for hope and optimism, as family businesses leverage their unique strengths to not only survive, but even thrive, coming out of the pandemic. As one respondent advised, “stay focused on moving ahead.”

Full Report

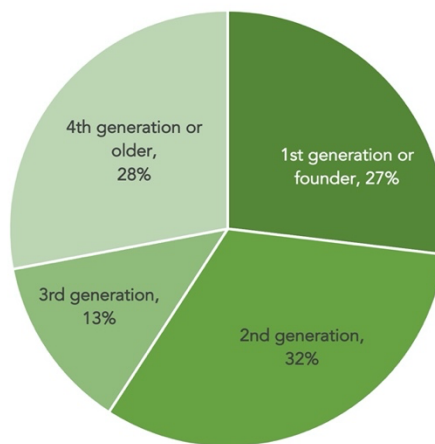
There were over 140 responses to the survey from individuals in over 25 countries across five continents. More than half of the responses came from family businesses in the United States, followed by Brazil and the United Kingdom.



Revenue of family business in 2019



Generation of family business

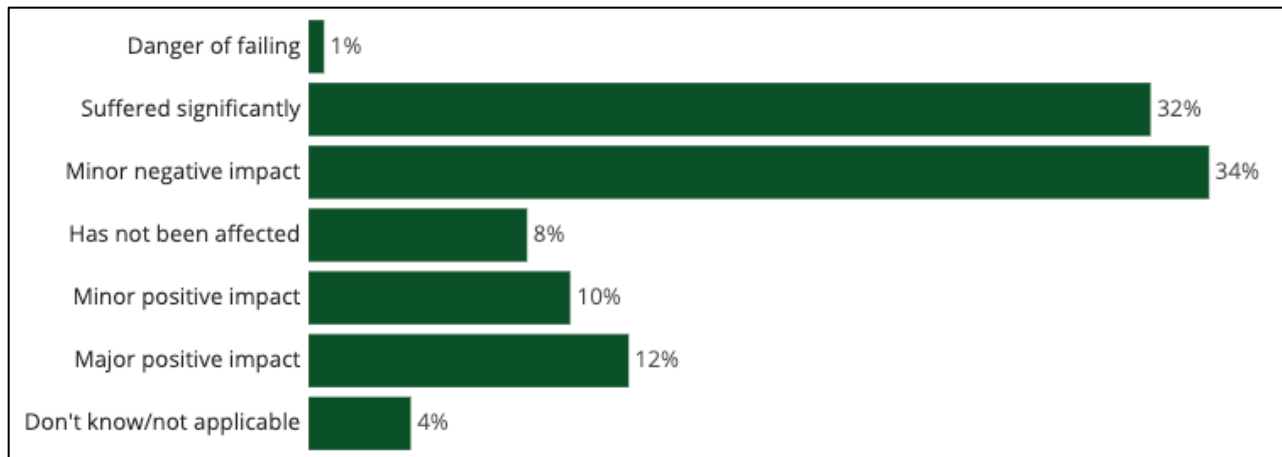


Family businesses from over 25 industries participated. Industries with the most respondents included manufacturing, financial services, professional services, construction, real estate, and consumer durables and apparel.

Please note: the percentages in the graphs above and below may not total to 100 due to rounding. Rounding also accounts for any difference in the length of bars of the same percentage.

IMPACT OF COVID-19

The COVID-19 crisis has affected most businesses in a negative way. When we asked, “How would you describe the business impact of COVID-19 so far?” we received the following responses:



Selection of comments about a **major negative impact (danger of failing or suffered significantly)**:

- Lockdown was catastrophic for us.
- Supply and consumption have significantly dropped. This has impacted the business.
- Revenues were down by about 80% in May/June and down 50% over the summer. We had a strong comeback in late August and September, but then our province returned to COVID lockdown in November. Revenues cratered again. It's a very difficult period for our business.
- Our top line is off 20%, but our bottom line is off 50%. We are in a retail business and have been negatively impacted by stay at home and curfew orders. Our business has had to reduce store hours.
- We are more concerned about the continued economic impact and how that will affect revenue and new business in Q1 2021.
- It has diminished the interest from buyers for our enterprise both in price and timing.

Selection of comments about a **minor negative impact**:

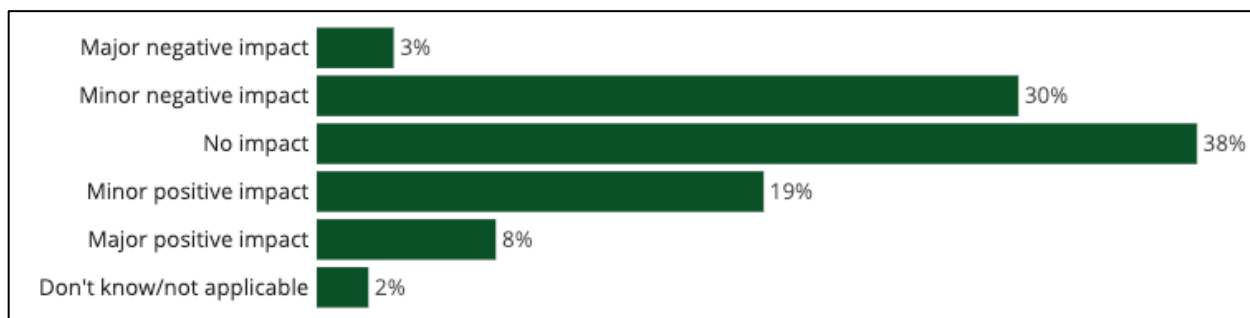
- Some businesses have suffered, and some have benefitted.
- We've had to adjust fast and dial down the parts of the business affected negatively, while dialing up the areas of opportunity.
- Our core business has suffered, yet we've managed to create new income because of COVID-19.
- I am proud of our team's perseverance. I don't believe that COVID-19 will impact the long-term success of our business, but it certainly has created short-term challenges. I do believe the lessons we learn from this will make our leadership team closer and stronger.
- We maintained revenue but had a lower EBITDA.

Selection of comments about a **positive impact**:

- We are an essential business that has benefited from the pandemic.
- Our revenue has increased because we sell services that have been in demand during the pandemic.
- The significant shift in sales created complexity and increased demand of lower margin products, but reduced travel and other expenses created a lift.

- Since we did not fire anyone, right after the economy started to improve in June, our numbers more than doubled.
- There was a massive injection of public financial resources mainly in Brazil. For example, in our sector consumption rose by 15%. There may be a challenge in 2021 when the ceiling on public spending doesn't allow for continued financial injections.

When we asked, "What impact, if any, has COVID-19 had on relationships among the family that owns the business?" here is how people responded:



Selection of comments about a **positive impact on relationships**:

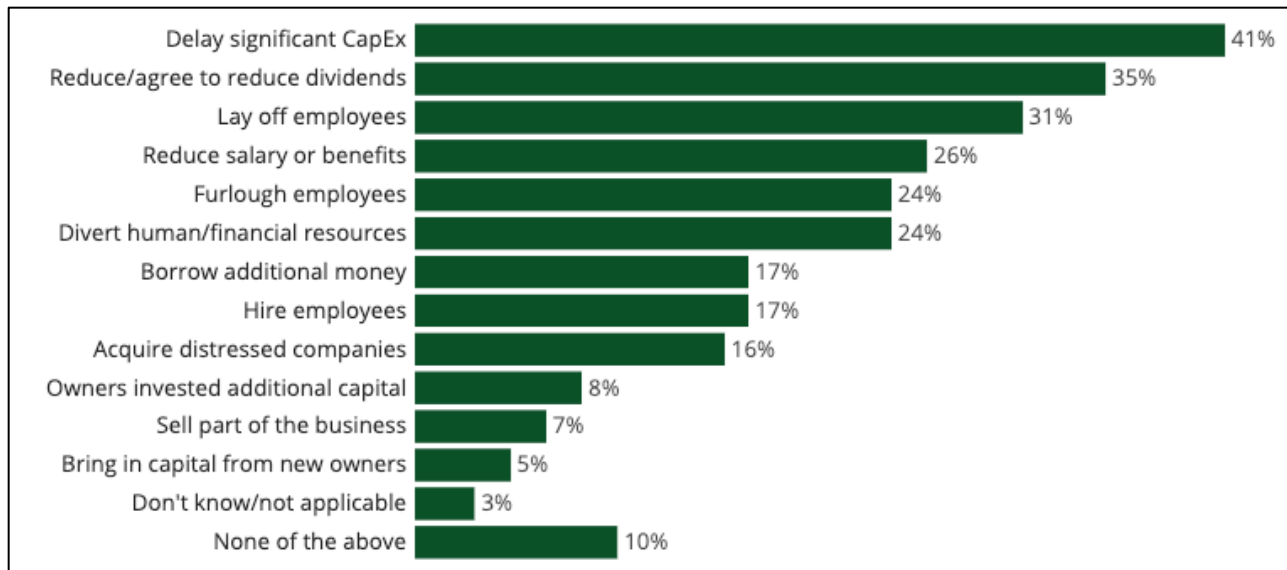
- We all pitched in to help manage the crisis.
- The family now values the variety of talents among us rather than trying to replicate only certain skills.
- More family time by working from home has actually helped our family relationships. I also think facing a tough year has caused us to realize how important family is, and our relationships have grown from it.
- The family joined forces to help through well-structured social projects with a strong social impact. There was great alignment between the family and the company to fight COVID-19.
- The mobilization around philanthropic actions to fight the pandemic increased the collaborative spirit among family members.

Selection of comments about a **negative impact on relationships**:

- There are different views on how best to proceed: stick to what we've been doing versus totally revamp our offering. This leads to stress when there are different risk tolerances within family.
- It is more difficult to see each other.
- COVID has created division among some family members between people who obey the rules and regulations and people who don't believe in them.
- It has impacted our ability to spend time with our eldest generation (retired from the business). We miss being together as a family outside of work.
- Little communication has created distance.

BUSINESS RESPONSE

Family businesses have responded in a myriad of ways. Below are the actions that family businesses have taken or expect to take in response to COVID-19. Respondents were able to check all actions that apply.

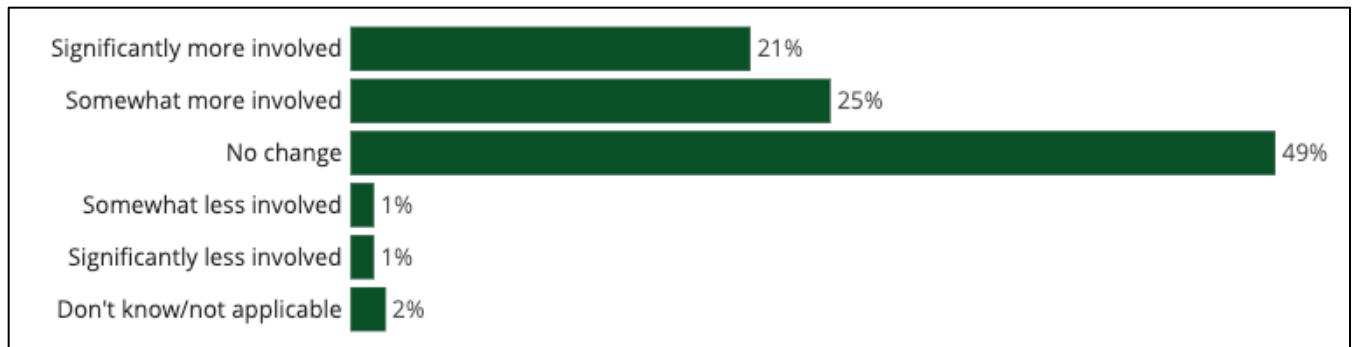


Selection of comments on **actions taken**:

- We made a commitment as a family to pay all our employees' full salaries during the shutdown and have not laid off or furloughed ANY of our employees. However, if New York City gets shut down again, given the mandated eviction moratoriums and lack of financial relief for New York City landlords, we may have to reevaluate business decisions moving forward in 2021.
- Compensation across the organization is cut depending on the levels. Borrowing has increased.
- We are focused on increasing income from digital marketing campaigns.
- Purchasing of portfolio companies has increased this year. We are looking to buy "good deals" in a distressed economy.
- All options are on the table to keep the company as a going concern. My goal is to make it to the other side of the pandemic stronger and healthier.
- We secured a loan to increase cash availability if necessary.

OWNER ROLE, RELATIONSHIPS, AND COMMUNICATION

When we asked how the role of the owners of the family business has changed as they have managed the impact of COVID-19, many family businesses noted that owners are more involved.



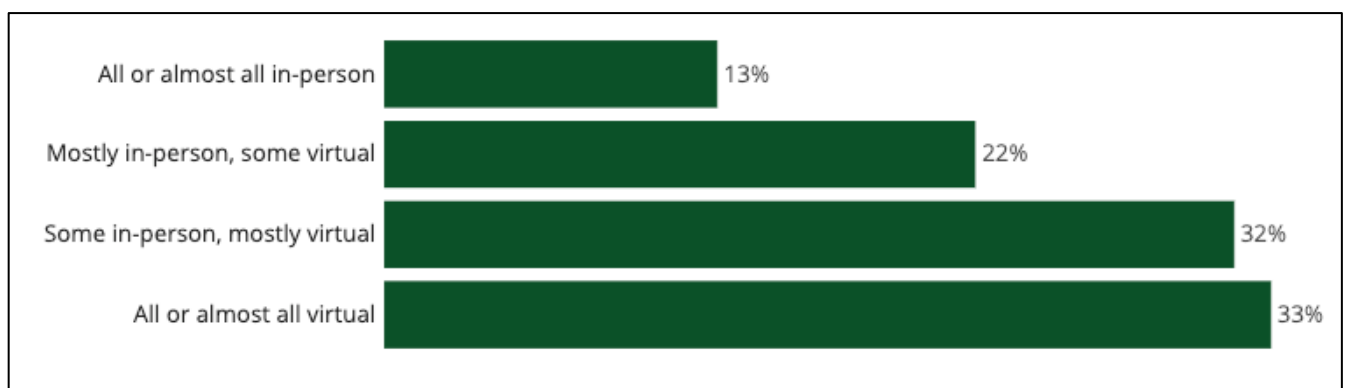
Selection of comments about **no change**:

- Owners were already very involved prior to COVID.
- The owners made few business decisions before, and that has stayed the same.

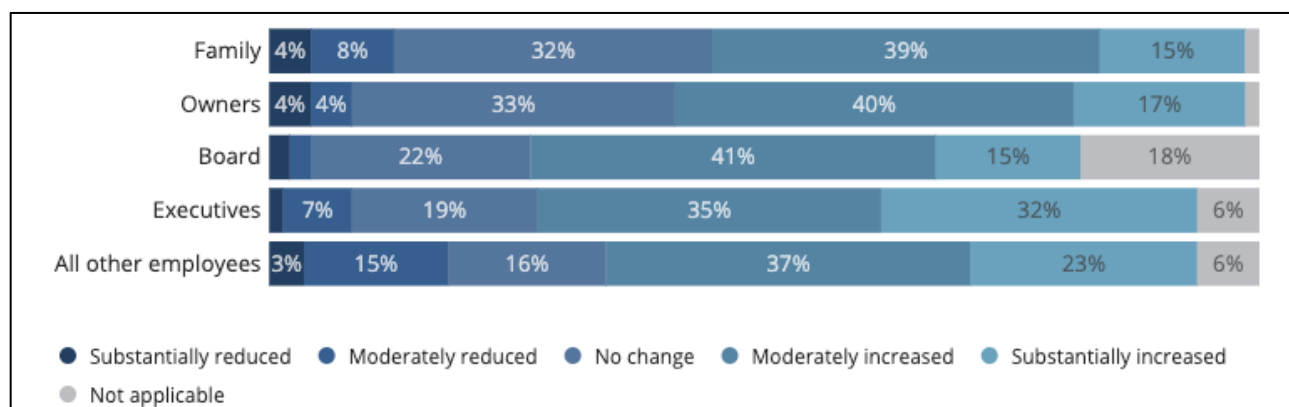
Selection of comments about **more involvement**:

- All levels of the family are working in the business, including the third generation. Even though they do not have direct ownership yet, they are engaged in the business decision-making process.
- The owners have increased their involvement in the development of new services and products.
- I personally have become more involved in the business. Some of my partners have taken a less active approach or have the same level of involvement in the business.

We asked how respondents' families are communicating about family business topics:



We asked, "How has the frequency of communication to the following stakeholders of your family business changed since the beginning of the pandemic?" Below are the responses.

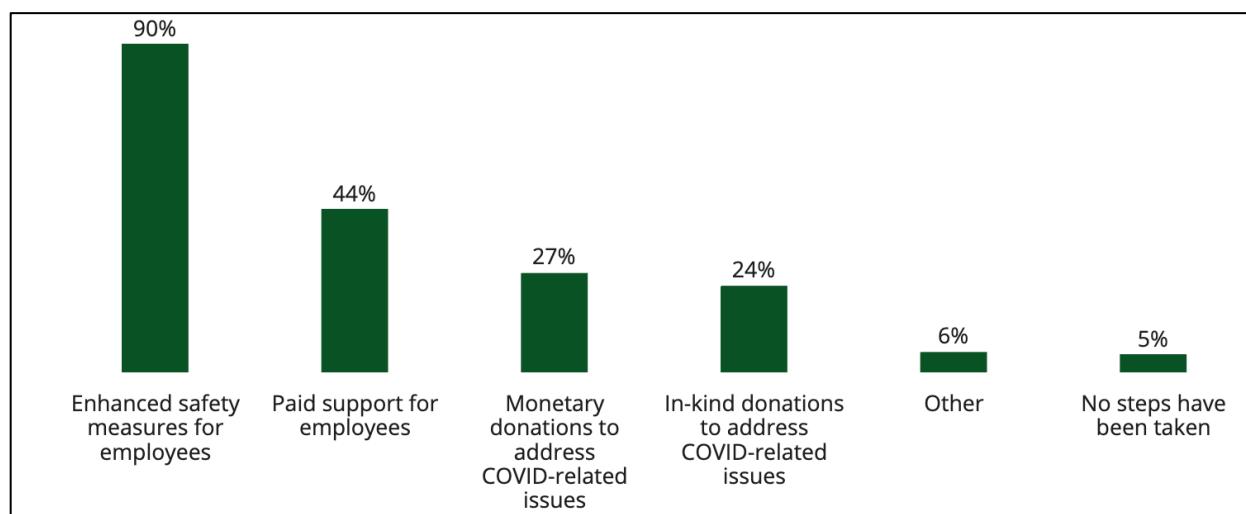


Selection of comments about the **frequency of communication to stakeholders of the family business**:

- Remote workers can become a bit disenfranchised and require a bit more attention.
- The major change in communication is keeping the staff motivated through more conversations.
- Many employees are working remotely and don't have the same connectedness.

COMMUNITY AND EMPLOYEES

We asked, "What steps, if any, are being taken by the family business to address the impact of COVID-19?" Below are the actions respondents are taking. Respondents were able to check all actions that apply.



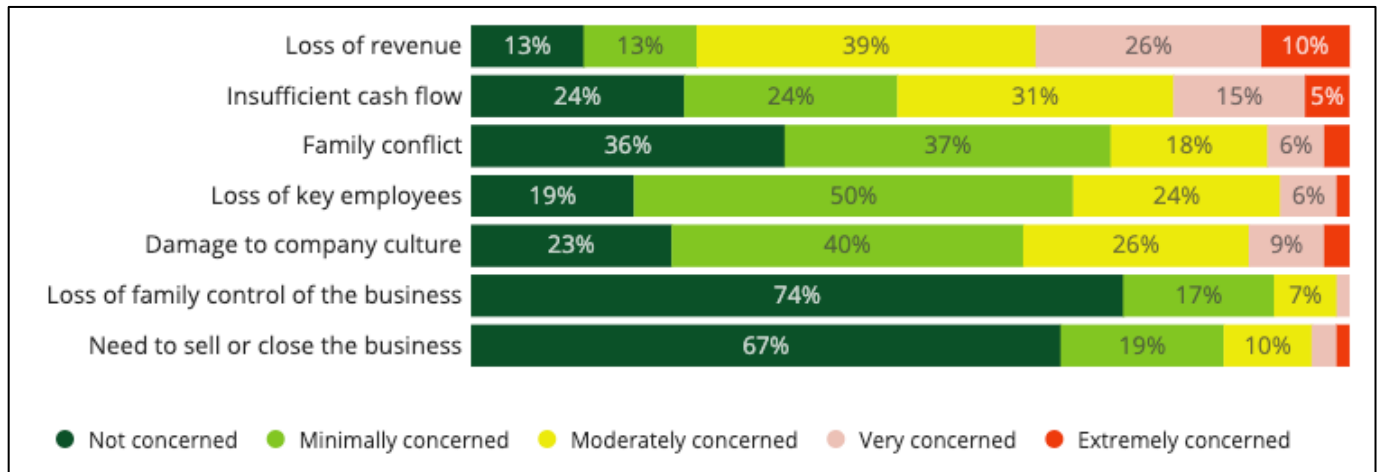
Selection of comments about **actions taken**:

- We have improved tools.
- We have fed frontline workers at area hospitals.

LOOKING FORWARD, SILVER LININGS, AND ADVICE

The majority of respondents are minimally or not concerned about family conflict, losing key employees, damage to company culture, losing family control of the business, and needing to sell or close the business over the next three months.

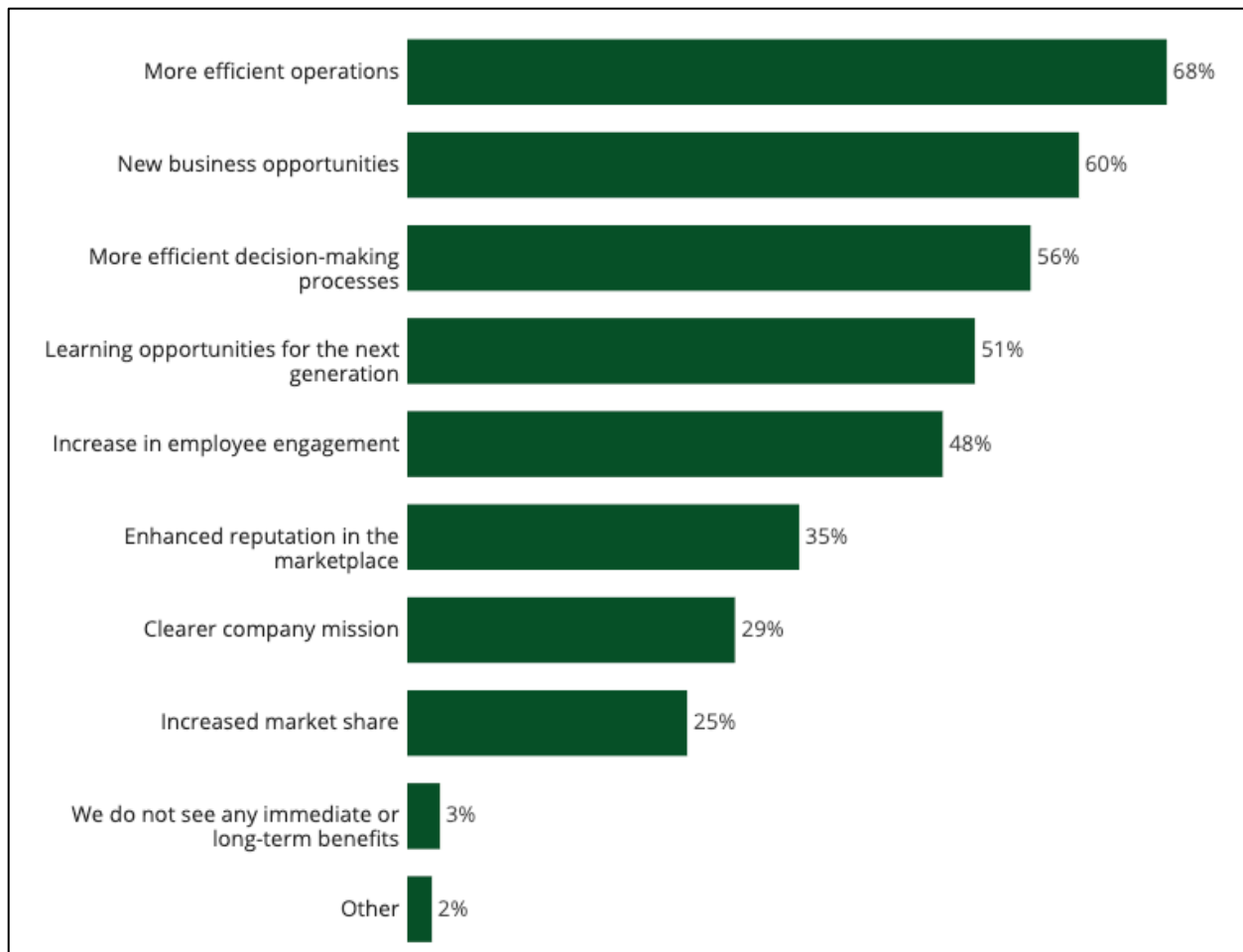
How concerned are respondents about the following potential impacts over the next three months?



The crisis has also presented some **opportunities**, for example:

- Allowing work from home for some employees with child and adult care issues has become a new norm. For those who cannot work from home, special care and oversight is required to ensure their safety as well as the safety of public that they may come in contact with.
- We made a family commitment to all our employees to pay their full salaries throughout the entire shutdown.
- We have flexible work schedules and a flexible attendance policy.

We asked, "What immediate or long-term benefits, if any, do you think might accrue to the family business from your response to the crisis?" Below are the benefits respondents expect might materialize. Respondents were able to check all actions that apply.

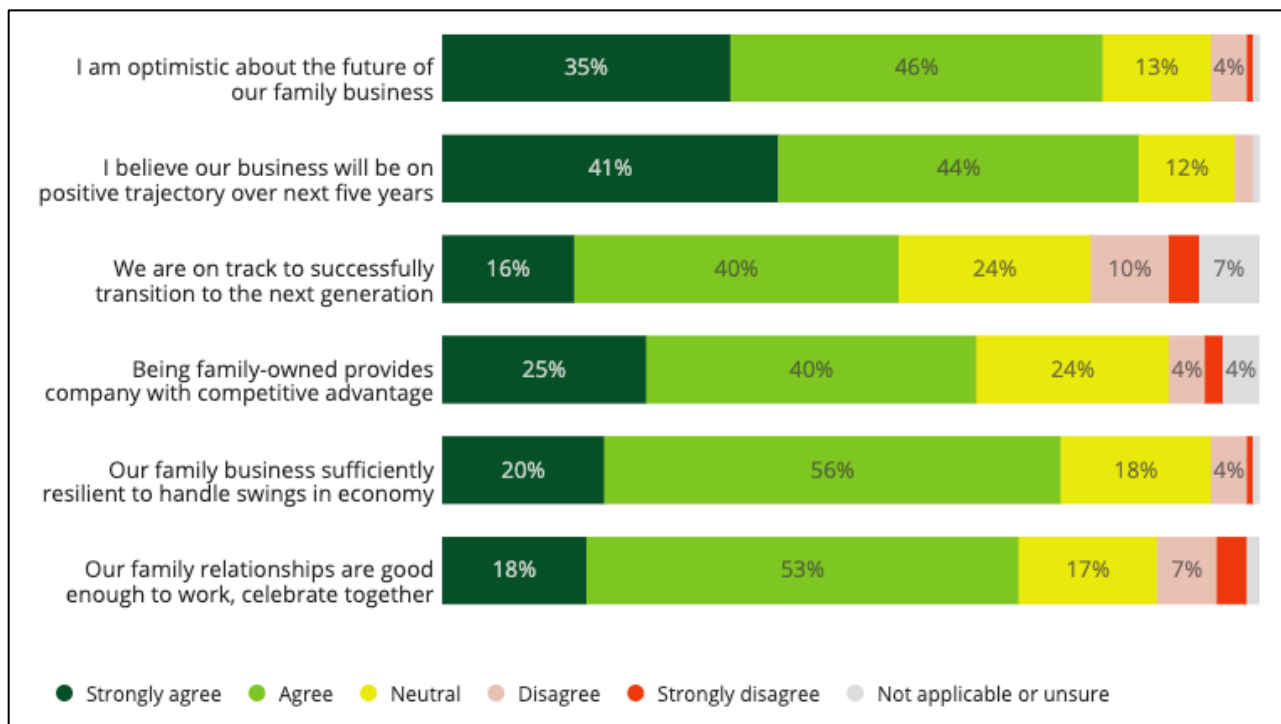


As in the first survey, many respondents' **advice** is consistent with the actions they have taken so far: preserve cash, communicate frequently and honestly, take care of employees, and give back to the community. Respondents shared **additional advice** based on their own response to the pandemic:

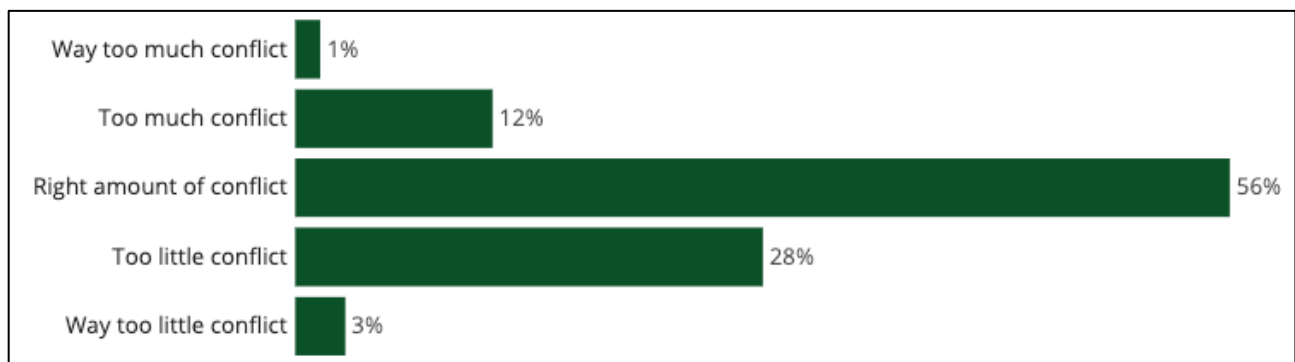
- Communicate and plan on a short-term basis. Be willing to change quickly.
- Do not stop innovating. Invest in tools to further strengthen connections among employees, in particular those oriented towards creativity and innovation. Follow-up on un-advanced proposals.
- Every business is different, but the one common denominator is to take care of your people.
- Leave your ego at the door. Focus on working collaboratively and understand your role within the organization.
- Research and take full advantage of all government funding that might be applicable.
- Stay the course to the extent possible and focus on long-term risks and opportunities.
- Use this as an opportunity to assess the long-term health of your business.
- Use your Board of Directors.
- If you don't already have really good Ransomware, now is the time to do it.
- Regardless of COVID-19, all companies in the future will be technological, so invest in it (e.g., digital, artificial intelligence). Consequently, it will impact family and corporate culture. Be proactive in making these transformations.

FAMILY BUSINESS PULSE

We asked respondents, "Please identify your level of agreement with each of the following statements." The responses indicate an overall positive outlook. Many respondents are optimistic about the future of their family business, believe their business will be on a positive trajectory over the next five years, and feel family relationships are good enough to work and celebrate together. But this is not the case for all. While many are optimistic about the future, over a third of respondents are not certain they are on a path to successfully transition the family business to the next generation. The full responses are below.



Both **too much and too little conflict can be an issue** in family businesses. We asked, "How would you describe the level of conflict within your family business?" The majority of respondents believe they have an appropriate amount of conflict, but a significant number see too little conflict. Contrary to popular opinion, too little conflict can be as destructive as too much conflict. (For more on this, see <https://hbr.org/2018/12/why-family-businesses-need-to-find-the-right-level-of-conflict>). Below are the responses.



Family businesses face different types of risks. We asked, “How concerned are you about the following types of risk on a scale of 1 (not concerned at all) to 10 (extremely concerned)?” Unsurprisingly, **macroeconomic risk was of greatest concern**. Below are the full results.



Thank you again to those who participated in the survey. If you have any questions or would like to contact us, please click [here](#).