



# Survive Now, Thrive Later: Family Enterprise Imperatives

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**Part one of our four-part series: Family Enterprise Foundation, in collaboration with Family Enterprise Barometer, analyses actions and possible initiatives for entrepreneurial families as they navigate the pandemic economy.**

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“We were able to control the virus better than many of our allies, particularly including our neighbour,” Prime Minister Justin Trudeau told reporters last week, saying Canada’s success would help efforts to restart the economy.

The economy is indeed restarting but it remains in intensive care. Where does that leave enterprising families who collectively form an economic engine that employs 6.9 million Canadians generating \$574.6 billion annually to GDP? The short answer is regrouping and fighting to survive.

## Cohesion in a Crisis

University of North Carolina’s Torsten Pieper<sup>1</sup> rightly points out that survival sits atop a worrisome list of entrepreneurial families’ immediate priorities. Holding the family unit together comes a close second. “But if the recipe is based on keeping family happy with money,” Pieper says, when the business stops generating returns, that model quickly falters. “Most of the business families have built their cohesion around multiple – especially emotional – forms of cohesion that can pull you through a crisis.”

This so-called psychological glue is what distinguishes family enterprises from others. And that emotional adhesive will be stress-tested for the foreseeable future, in part because there have been fleeting clarity as to the true magnitude or duration of the pandemic, but also due to the real prospect of a protracted downturn.

The federal government’s revenues are expected to decline to \$268.8 billion in 2020-21 from a projected \$341 billion in 2019-20.

Meanwhile, researchers are racing to develop a Covid-19 vaccine, with more than 140 candidate vaccines now tracked by the World Health Organization. While scientists are hoping to develop a coronavirus vaccine within 12 to 18 months, none are approved. This has had a dampening effect on world markets. These factors have caused tremendous anxiety in families, says Dr Kavil Ramachandran<sup>2</sup>. “The basic concern is about survival,” he stresses.

## All About Survival

Pre-pandemic, “survival” held other connotations for family enterprises: It was a euphemism for intergenerational longevity – not as a quirk of entrepreneurial families but, rather, a source of pride. Legacy matters when blood and ownership mix. Entrepreneurial families are deeply

concerned about their ability to maintain and provide for employees. Some are making sacrifices to retain their workers. Others feel guilty about laying off staffers. “We know that families care a great deal about survival in any situation because they’re often carrying on a legacy of previous generations,” explains Robert Nason<sup>3</sup>. “For some families, this crisis means a threat that may end their business.”

The threat is real. Canada’s unemployment rate stands at 13.7%. Federal government estimates suggest GDP will shrink by 6.8% this year before bouncing back by 5.5% next year, making this crisis the worst economic contraction since the Great Depression. Meanwhile, the federal deficit is projected to climb to a stratospheric \$343 billion this year as a result of pandemic-related support programs that have pushed federal spending to eye-watering levels.

Sirius Financial Services’ Susan St. Amand<sup>4</sup> says economic recovery is an acute and immediate concern, that and the prospect of further waves of Covid-19 chaos. In some cases, government programs have created disincentives for furloughed workers to return to work. Brakes on immigration, she adds, could aggravate an already problematic shortages of skills in Canada’s regions. The result? “Family enterprises are concerned about the next couple of generations.”

## Act Now

True, yet the depth and complexity of crisis – simultaneously a health threat and economic disaster – has imposed a tremendous sense of immediacy upon families to act now and nimbly in a business environment beset with restrictive national borders, disrupted supply chains and stalled consumer activity.

Family enterprise world expert Joseph Astrachan<sup>5</sup> observes that events are “unfolding at an alarming rate” typically seen before a major international incident. “Family owners are already beginning to believe it can’t get worse, just as it does again.” Ominous as that sounds, enterprises hoping to weather the storm will be paying obsessively close attention to cash flow and cash reserves. Those families in industries negatively affected by the current circumstances, will be cut deeply and quickly, Astrachan says. **Those in sectors positively affected should be managing their growth prudently.**

Bond University’s Justin Craig<sup>6</sup> notes that families who see governance as a form of insurance could be better positioned than others. Independent directors who have been carefully selected know that now is the time to deliver actionable advice. Dr. Craig, says boards will be meeting more often and asking “different” questions. “They will be thinking more short-term”

while dialed into cash flow trends. “Their focus will be more to do with operations and cost-cutting initiatives.”

**Survival, it goes without saying, taxes emotions.** Ramachandran points out that while emotions will be running high in families, crises tend to concentrate the mind. “[Families] are all trying to conserve cash and rationalize operations. They’re trying to keep aside differences as they realize they need to remain focused.”

Given the fluid situation of the pandemic and its unpredictable effects on markets, how might families run their business over the next few months? Nason suggests an “experimental” approach could yield positive results. As scary as that may sound, he adds the caveat of steering clear of dramatic and irreversible changes. “Quick-win projects” and nimble shifts in strategy could be the way to go. In other words, **think lean, think start-up, think customer-driven, think efficient.**

**Think like a family enterprise.**

## Notes

1. *Torsten Pieper is an Associate Professor of Management in the Belk College of Business at UNC Charlotte, USA*
2. *Kavil Ramachandran is a Clinical Professor and Executive Director of the Thomas Schmidheiny Centre for Family Enterprise at the Indian School of Business*
3. *Robert Nason is an Associate Professor of Management at McGill University’s Desautels Faculty of Management, Canada*
4. *Susan St. Amand is the Founder and President of Sirius Financial Services in Ottawa*
5. *Joe Astrachan is Professor Emeritus and past Executive Director of the Cox Family Enterprise Center at the Coles College of Business, Kennesaw State University, USA*
6. *Justin Craig is a Professor of Entrepreneurship at Bond University’s Bond Business School, Australia*