

Taking the long view

How family businesses are triumphing over COVID-19

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Lessons in endurance from European family businesses
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home.kpmg.com/EUR-FB-COVID-report



Taking the long view

Family businesses think in terms of quarter centuries, not the next quarter's financial results. The importance of taking the long view is embedded from generation to generation and this approach has proven to be a source of their endurance. European Family Businesses (EFB), the Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium and KPMG Private Enterprise came together to discover how family businesses around the world were responding to the impact of COVID-19. How has COVID-19 affected their business and their family?

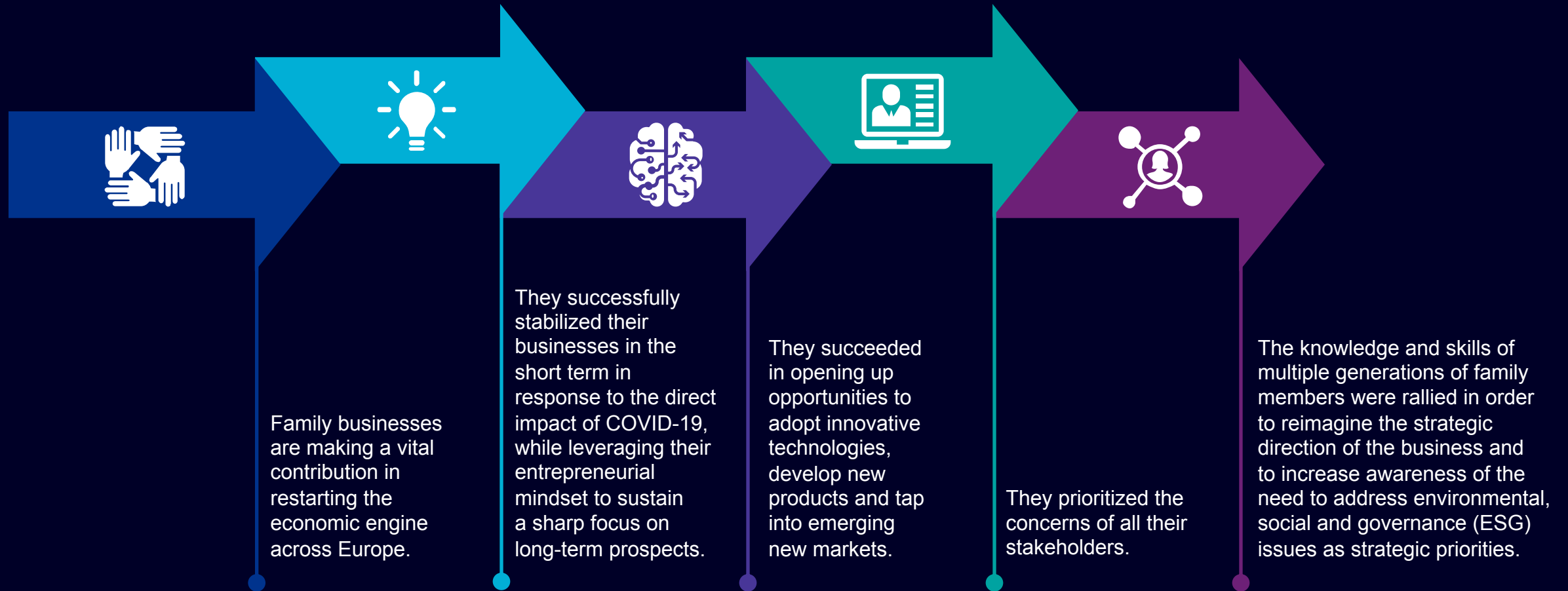
- What actions have they taken to stabilize their business in the short term?
- What strategies have they adopted to sustain its success for generations to come?

A closer look at the survey respondents across 23 European countries



To answer these questions, the first step was to collect data in a family business survey, which was conducted by the STEP Project Global Consortium between June and October of 2020.

Key takeaways



The initial shock

The initial impact of the pandemic was felt on companies' revenue almost immediately.

Revenue impact¹

Impact	European family businesses	European non-family businesses	Global	Asia Pacific	The Americas ²	The Middle East & Africa
Revenue decreased	64%	56%	69%	75%	67%	84%
Revenue increased	11%	11%	9%	8%	11%	3%
Revenue stayed the same	25%	33%	22%	17%	22%	13%

¹ Global, Asia Pacific, the Americas and the Middle East & Africa represent family business revenue impact only

² North America, South America and the Caribbean

Three types of responses

Family businesses reacted to the initial shock of COVID-19, then quickly turned their attention to the long-term consequences for their business. Their actions can be observed in a mix of three responses:



Stabilizing the business



Accessing external support



Taking the long view to reimagine the future



While there was a higher percentage of employee-related actions taken by European family businesses, the overall 4.1 percent reduction in the workforce in European countries was significantly lower than the 8.56 percent reduction in the workforce reported globally.



Actions taken by leaders to stabilize their family businesses

Families addressed the immediate shocks to their business and the need to keep it on a steady course. A sudden drop in income had a consequential negative impact on the cash flow and liquidity for many family businesses. Not surprisingly, their first reaction was to implement immediate cost-cutting and other business actions to stabilize the businesses in the short term.

Percentage of actions taken by family businesses to stabilize the business

Action type	Europe	Global	Asia Pacific	The Americas ¹	The Middle East & Africa
Employment actions	40%	36%	29%	35%	33%
Cost/investment actions	41%	41%	42%	41%	40%
Executive compensation actions	7%	9%	13%	10%	9%
Actions affecting business operations	12%	14%	16%	14%	18%

¹ North America, South America and the Caribbean

Taking the long view to reimagine the future

Business families turned their attention to the long-term sustainability of their businesses and the potential strategic opportunities ahead by putting in place the following strategies:



Social responsibility

Focusing on the family's purpose and values to support all stakeholders



Business transformation

Exploring ways to pivot the business to proactively adopt new business models and evolve

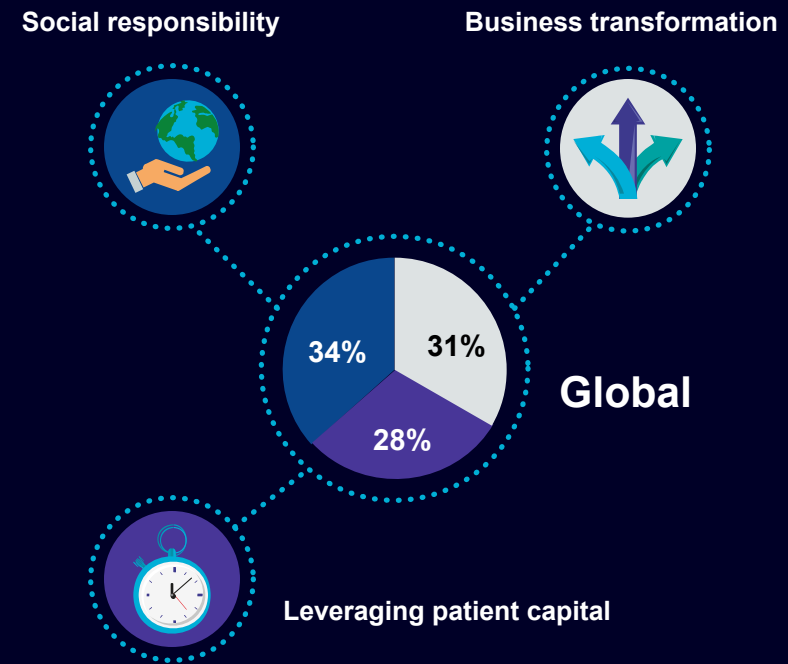
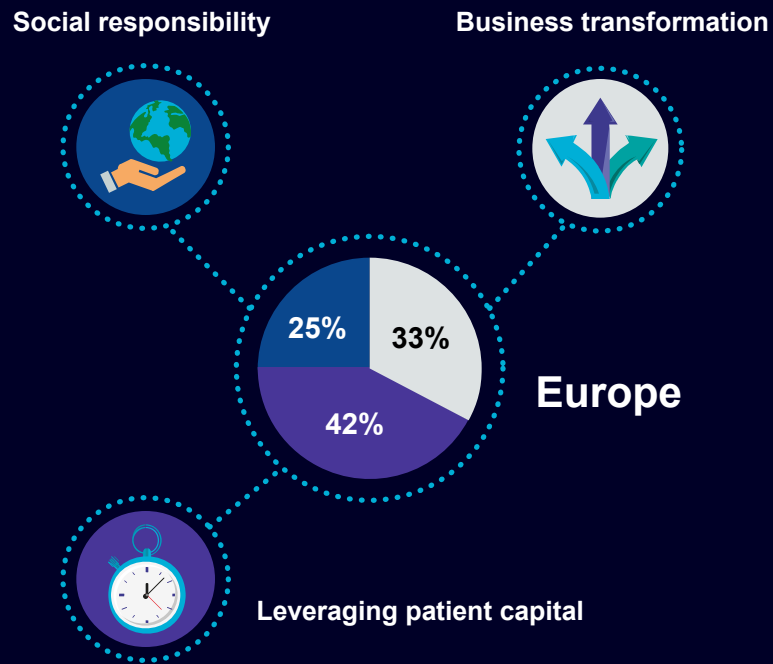


Leveraging patient capital







Drawing on a long-term value creation mindset and taking the time to undertake special projects and consider new opportunities

Taking the long view to reimagine the future

Strategies of choice among family businesses



Family business patterns reflected in the social responsibility strategy

-  They generally experienced the lowest impact on their revenues compared to those that adopted alternate strategies.
-  Support from government materialized primarily through financing programs, and these firms also received more technical support than others.
-  They are generally medium or large in size, and they have multiple family shareholders. They also are more inclined to have a non-family CEO at the top of the management team.
-  The highest percentage of firms are led by a single, second- or third-generation family member.
-  The importance of sharing information, empowerment and decision-making and the leadership of the top management team is emphasized throughout the family and the business.
-  The family is involved in matters inside the business more than those related to external stakeholders, and the family's involvement is an important element in leading ESG actions.

Family business patterns reflected in the business transformation strategy



Family businesses were found primarily in service industries (60.6 percent), though 34 percent were represented by manufacturing businesses – the highest representation of manufacturing firms across all three strategies.



Regardless of the size of the business, the agility and fast decision-making that are characteristic of family businesses are a key factor in their ability to adopt this strategy successfully.



These companies had the highest representation of multiple generations involved in the business and with external stakeholders, but with only a small number of family shareholders, giving them the agility to pivot their business quickly.



Importantly, they typically have a strong top management team and exceptional learning and problem-solving abilities.

Family business patterns reflected in the leveraging patient capital strategy



European family businesses that adopted this strategy were represented primarily in the service industries (55 percent), followed by manufacturing (28.6 percent), as well as having the highest representation of construction companies (10.6 percent).



It appears that because of the nature of the sector for these businesses, they have fewer alternatives for reacting because of the business models for the industries in which they are embedded. This could also be the case for those in the tourism or hospitality sectors.



A single generation of the family is dominant, primarily those in the second or third generation and the number of family shareholders is generally small, which often makes it easier to reach agreement on important decisions.

Lessons learned, lessons shared

If COVID-19 has taught us anything about business recovery and sustainability strategies, it's that one-size clearly does not fit all.

Family business leaders are making a comeback through a host of different strategic decisions and actions, many of which are influenced by their family characteristics.

How effective have the initial financial and non-financial actions been in mitigating the immediate impact of COVID-19 on your business? Did the company's processes and procedures help to support these efforts and reduce potential risks?

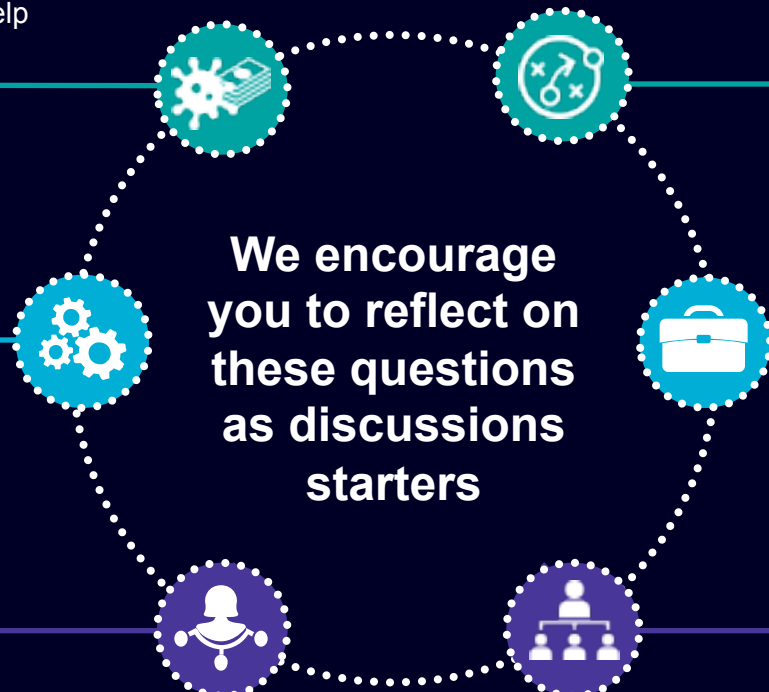
What is the longer-term outlook for your business? Is it time to recalibrate the business model and adopt new technology solutions?

What other actions might you consider now?

How relevant are the three strategies (social responsibility, business transformation and leveraging patient capital) for the short- and long-term needs of your business?

How are younger generations of the family contributing to the long-term view for the business? Is succession planning becoming more of a priority?

Are acquisitions, strategic alliances or other opportunities available to diversify your products and provide a potential entry into new markets?



We encourage you to reflect on these questions as discussions starters

Methodology

The Global family business survey: COVID-19 edition relied on a convenient sampling strategy replicated across multiple countries, regions and jurisdictions. Each affiliated team identified potential respondents eligible for the project considering the industry characteristics and the business structure of their own country. The survey was designed by a research team with more than 10 years of experience in conducting qualitative and quantitative research from the STEP Project Global Consortium, European Family Businesses (EFB) and KPMG Private Enterprise. Previously validated scales have been used in the questionnaire to define each question. The questionnaire was first generated in English and then translated into 13 languages. The survey was launched in June 2020 and completed in October 2020. In total, 2,493 family businesses and 517 non-family businesses completed the questionnaire from 75 countries, regions and jurisdictions in five world macro regions: Europe, the Americas, Asia Pacific and the Middle East & Africa. The European family business report: COVID-19 edition focuses on the completed questionnaires from 1,332 family businesses and 215 non-family businesses in Europe.

About the Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium

The Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium is a global applied research initiative that explores family and business practices within business families and generates solutions that have immediate application for family business leaders. The STEP Project Global Consortium aims to be a leading global family business research project with an international reputation. The research insights are specifically drawn to be of relevance to developing new theoretical insights that can offer novel and valuable best practices recommendations to the business stakeholders and the practice community at large. Having a global worldwide orientation, the STEP Project Global Consortium offers networking opportunities for researchers, family business owners and consultants coming from five continents.

Visit: thestepproject.org

About EFB

European Family Businesses (EFB) is the EU federation of national associations representing long-term, family-owned enterprises, including small, medium-sized and larger companies. The organization was created in 1997 and represents EUR1 trillion in aggregated turnover, 9 percent of European gross domestic product. EFB's mission is to press for policies that recognize the fundamental contribution of family businesses in Europe's economy and create a level playing field when compared to other types of companies.

Visit: europeanfamilybusinesses.eu

About the KPMG Private Enterprise Global Center of Excellence for Family Business

As with your family, your business doesn't stand still — it evolves. Family businesses are unique and KPMG Private Enterprise Family Business advisers understand the dynamics of a successful family business and work with you to provide tailored advice and experienced guidance to help you succeed. To support the unique needs of family businesses, KPMG Private Enterprise coordinates with a global network of member firms dedicated to offering relevant information and advice to family-owned companies. We understand that the nature of a family business is inherently different from a non-family business and requires an approach that considers the family component.

Visit: home.kpmg/familybusiness

About KPMG Private Enterprise

Passion, it's what drives entrepreneurs, it's also what inspires KPMG Private Enterprise advisers to help you maximize success. You know KPMG, you might not know KPMG Private Enterprise. KPMG Private Enterprise advisers in member firms around the world are dedicated to working with you and your business, no matter where you are in your growth journey — whether you're looking to reach new heights, embrace technology, plan for an exit, or manage the transition of wealth or your business to the next generation. Working with KPMG Private Enterprise, you'll gain access to a trusted advisor — a single point of contact who shares your entrepreneurial mindset. With access to KPMG's global resources and alliance network, we'll help you drive your business forward and meet your goals. Your success is our legacy.

Visit: home.kpmg/privateenterprise

Contact us

Please contact us at familybusiness@kpmg.com, andrea@thestepproject.org or info@europeanfamilybusinesses.eu to share your thoughts on the report and your experiences in triumphing over COVID-19 to make a successful comeback.



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