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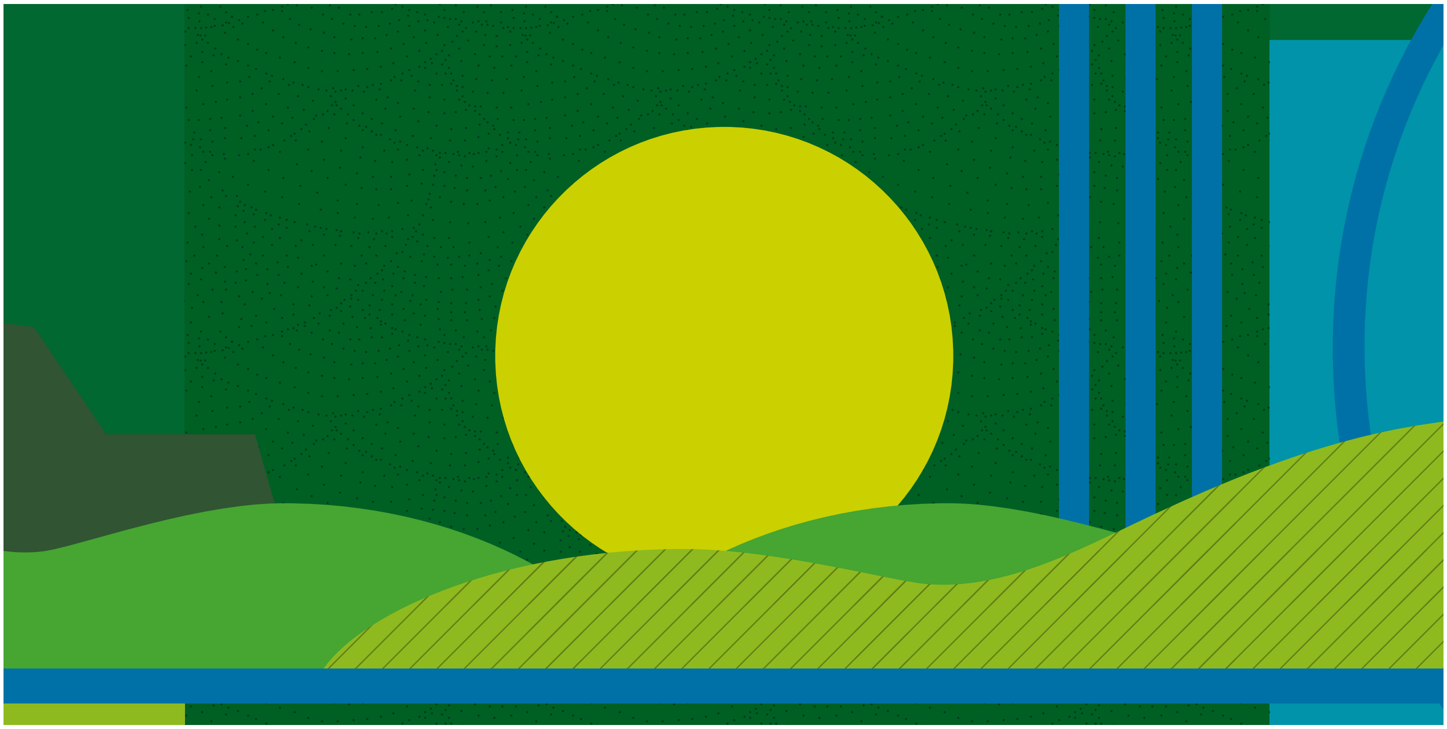

THE RESILIENT FAMILY ENTERPRISE SERIES

Your family business

Planning for what's beyond the horizon

It's been said that while public companies think in terms of quarters, family businesses think in terms of generations. Is it too early to start considering the year 2030? Or even 2040? Not if you're a family enterprise looking to stay relevant. As companies work to recover from the COVID-19 pandemic, their attention will begin to move from an interim normal to a better normal that capitalizes on their resilience and agility.

When we look back 10 to 20 years from now, we may be able to point to companies whose success was driven by decisions made today based on the long view. Getting family-business leaders to consider such long-term planning might seem unimportant when many are just trying to focus on each day's new challenges, but family companies have overcome recent recessions—and more successfully than have their non-family counterparts—in large part because they kept their eyes on the horizon. This includes by continuing to launch new products and maintaining an emphasis on corporate social responsibility.[1]

The causes of myopia

Some might argue that the future is too uncertain and unpredictable right now to merit significant attention or capital. However, regardless of the degree of uncertainty, the future will always be unpredictable. Organizations that stop thinking long term do so at their own peril.

Even though some companies have been faring relatively well during the pandemic, they might not want to think that today's achievements will translate into tomorrow's successes. They may be feeling well-positioned for a return to normal, but as heroic as their efforts may be, the competitive and operational landscape onto which they are emerging may be forever changed. Whether it's the nature of work, the virtualization of many forms of engagement, or diverging priorities in consumer preferences, we may never return to normal, forcing businesses to revise or completely revisit their models.

Even in less uncertain times, family enterprises are prone to planning myopia. By and large, family-business leaders often express confidence in their companies' future preparedness. But, many may be overconfident.

More than half the respondents to Deloitte Private's 2019 *Global family business survey* believed they had the right strategy to meet the challenges of the next two decades, although more than three-quarters said they don't plan beyond five years.[2]

Factors such as these can leave family enterprises exposed to disruptions that may not have an effect today or even in a year, but that may take many years to emerge. If 2020 has taught us anything, it's that unforeseen events can wreak havoc on even the best plans.

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Widening the aperture

For decades, technology giants have shown the value of making decisions in the short term to service longer-term goals. The *zoom out to zoom in* approach is a stark departure for many businesses because it gives almost no attention to the one-to-five-year time horizon. Instead, business leaders look ahead to try to assess what their industries and/or relevant markets will look like in 10 to 20 years and how they can achieve success in that theoretical environment. Then they zoom back to the present and select two or three initiatives to pursue over the next year that will help propel them toward their goals for the future.[3]

This approach is especially well-suited to family enterprises. We know from our work with global family organizations that many of them are purpose-driven—and have become even more so amid the pandemic, as they look to help their customers and communities. In addition, their business leaders tend to stay in their positions longer, with the average tenure extending well beyond that of their counterparts at non-family companies. This means that leaders and their successors are far more likely to see their spending plans through to conclusion.

But meeting these long-term goals won't likely happen unless the planning process becomes more formalized. For instance, companies might hold annual off-site meetings, but the freewheeling strategy discussions typical of these gatherings may not translate into concrete action once everyone returns to the office. When businesses zoom out to zoom in, however, they put capability-building on a schedule, mobilizing resources to meet planned initiatives and using metrics to track progress at regular intervals.

There's no doubt that many companies have been trying to figure out which operational changes brought about in response to COVID-19 are here to stay. But without a process to track how the various arms of an organization are supporting those changes, there's a risk that the business is being pulled in different directions—or not at all. But by instead putting their companies' long-view plans into action, executives are no longer bound by shorter-term thinking and reactionary changes to strategy, neither of which might yield results of much consequence.

Engaging next-generation leaders

For family-run businesses, another important benefit of taking the long view is that it brings younger generations into the decision-making fold. We know that, across the world, many family companies struggle to survive past the third or even second generation. Some of the fault lies in a lack of formal planning—our 2019 *Global family business survey* found that only 41 percent of respondents said their business was prepared for succession planning.[4]

Many younger family members don't see exciting avenues of growth for themselves within the family organization. But applying a zoom out/zoom in framework to strategic planning gives business leaders an opportunity to ask important questions about possible roles for those in the next generation, such as, "How do I prepare something really big for them?" As a result of this forethought, their likely successors might, for example, be given pivotal roles in some of the near-term initiatives previously identified.

The younger generations might also offer fresh perspectives that can benefit companies; for example, they might challenge potentially long-held views on current and future market trends. Their value to their enterprises can thus be realized immediately rather than under future conditions that might not even materialize. Their novel insights may knock company leaders out of their comfort zones, casting doubt on the presumption that past winning strategies will continue to lead to success.

COVID-19 as an opportunity

As challenging as the pandemic has been for family enterprises worldwide, it just might help to secure their legacies. These companies may soon have enough breathing room to start thinking beyond the short term. Our assessment is that the further they can cast their gaze, the better. Indeed, the family businesses that will still be thriving 20 years from now may be those that take a long view of their industries and markets.

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Notes

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2. *Private company issues and opportunities 2020: Family business edition*, Deloitte, December 2019.
3. John Hagel and John Seely Brown, "Zoom out/ zoom in: An alternative approach to strategy in a world that defies prediction," Deloitte Insights, May 16, 2018.
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