



How family businesses can leverage change

By EY Global

5 minute read 28 Mar 2019

Family businesses have an advantage in dealing with disruption from digitalization and geopolitics.

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he increasing pace of disruption, shifting regulatory environments and constant changes in the global economy make this an exciting yet challenging time for businesses. But family businesses often have an advantage, especially those whose strong family roots have already helped deliver generations of success.

In recognition of such long-standing achievements, each year we honor family enterprises and the remarkable men and women who have proved to be mold-breaking innovators and, more often than not, market leaders. These EY Family Business Award of Excellence winners are noteworthy for their approaches to navigating the issues facing today's family firms.

We had a chance to delve into those issues and more as part of the family business experience at the EY World Entrepreneur Of The Year™ 2018 Forum. More than 200 leaders of family enterprises convened to discuss the accelerating effects of change, offering advice on digitalization, geopolitics and the next generation.

1. Get the board on board with digitalization

Rapid technological advances are proving to be a boon for family businesses, allowing them to enter new markets, capture new opportunities and create new products. In short, digitalization continues to transform our business landscape and is moving at great speed. For family businesses to move forward, they need their boards to embrace the new digital environment.

“Boards must understand the impact of digital and the need to reformulate their strategy and redesign their organization as a result,” said Prof. Ludo Van der Heyden of INSEAD. Heleen Dura van Oord, Founder of DQ&A International, agreed: “Digitalization starts at the top. Surround yourselves with bright minds to inspire you to embrace digital.”

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The owner of data is in charge of the future.

Peter Rejler

President and CEO, Rejlers AB

Big data may hold the key to family businesses reinventing themselves with digital. “The owner of data is in charge of the future,” said Peter Rejler, President and CEO of Rejlers AB. Van der Heyden also highlighted the importance of achieving balance in adapting to digitalization, asking, “How do you bring bricks and clicks together?”

Overall, digitalization represents a huge opportunity for family business, said Dura van Oord: “Digital is nothing more than following customer needs — it’s adding technology to your existing values.”

To embrace that opportunity, Dominik Schiener, Co-founder of IOTA, believes collaboration is key. “2018 is all about convergence — we need to come together, share innovation and collaborate,” he said.

2. Make geopolitical strategy part of your corporate strategy

While digitalization offers tremendous opportunity, the current geopolitical environment presents a wide range of risks. With the world’s established powers in flux, family businesses must navigate simultaneous crises that can impact their supply chain, customers and family members themselves.

“Geopolitical strategy should be part of corporate strategy,” said Cherie Faiella, EY Geostrategic Business Group Deputy Leader. She recommends that businesses conduct scenario planning by analyzing their current situation and consider what they will do in the future. This exercise is especially important as family businesses focus on overseas markets to power expansion, according to the [EY Growth Barometer survey](#).

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Alex Krijger

Founder and Managing Partner, Krijger & Partners

“Scenario planning can scale,” noted Kevin Kajiwarra, Co-president of Teneo Intelligence, adding that family businesses have an advantage, as generational thinking is often more successful over time than public companies reacting quarter to quarter.

Alex Krijger, Founder and Managing Partner of Krijger & Partners, advises leaders to “think the unthinkable” as they incorporate scenarios into business strategies by using a variety of data sources that are as broad as possible: “Pay attention to news from other countries instead of reading Trump tweets.”

The volatility of the US President underscored how much has changed in a short period of time. “The US used to have a bipartisan foreign policy,” said Prof. Jan Peter Balkenende of Erasmus University, calling for increased European leadership as the Pax Americana seemingly dissolves in the face of trade wars and rising nationalism.

“Europe needs a new mission,” Krijger said. “Democracy is fragile — the social contract in some respects is broken.”

Balkenende said that Europe — and family businesses — should pursue a positive agenda that echoes the Sustainable Development Goals of the United Nations. At the top of that list? Fighting climate change, pursuing a circular economy and following a moral purpose.

3. Guide the next generation to shape the future

Such goals are especially important to next generation family business owners. They are already making an impact on their respective companies, and they’re expected to do more in the future as they pursue diversification and shared purpose. For example, in the next 30 years, US\$6 trillion will be shifted from one generation to the other in family business.

Lady Saoirse Herbert, whose family's ancestral home, Highclere Castle, was used for *Downton Abbey*, has played an active role in her family's approach to diversification. "We're looking for new ways to engage with the millennial demographic," she said. "We're trying to balance heritage with a global modern brand."

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For Frank Tobé of DOB Family Office, family businesses must realign what they're doing in a new world: "We have started to create economic bases underneath what we do to inspire others to change their business."

Making the link between ambition, aspiration and action is highly important, according to Dr. Bridget Kustin of Saïd Business School. Ritual is relevant, she said, as it can help family businesses learn more about themselves. "Rituals allow disparate individuals to understand themselves as part of a collective," she said.

Lauri Oinaala, EY Global Next Generation Leader, said purpose holds a role for next generation members as well: "There has to be a purpose. Only then can you set milestones. To understand where you're heading as a family business member is important."



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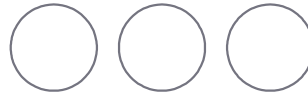
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