August-September 2020

- **Family enterprises in COVID-times**: In the past two issues, we tried to respond to the following question: "Are Family enterprises doing better?" **Research remains embryonic and the evidence scattered**. Leaving aside the issues of indebtedness (FEs tend to be on average less indebted) and cohesiveness (FEs tend to be on average more cohesive), it seems to us that the general response ("yes: FEs tend to do better") needs to be qualified. Because the global economy is becoming increasingly bifurcated, a lot depends on which particular industry the family enterprise is in, with a **considerable "chance factor"** attached to this. At the moment, even the most innovative families with the best possible strategies cannot thrive in the sectors decimated by the pandemic (hotels come as an example). By contrast, a family business with a "so-so" strategy but in the right place (like e-commerce) is bound to surf on the success of the sector (at least in the short-term). The bottom-line is this: comparisons in terms of performance between family businesses and public companies can only be meaningfully made within – not between - industries. Diversification is a possible solution, but surveys and questionnaires indicate that **many families seem reluctant to invest in new growth areas**.
- **Taxation:** The fourth bullet point (in the MB on the preceding page) about rising indebtedness makes it obvious why **families are becoming increasingly concerned about** what this means for t**axes** and the future generations. We are still in the midst of the pandemic, but a quick review of national media shows that **a majority of governments around the world are already thinking of increasing inheritance taxes or**
- of wealthy families and family businesses feel insecure or uneasy, **choosing privacy and discretion as an essential component of the family strategy** and as a reputational hedge. To our knowledge, there is no data to substantiate the claim that a rising number of families are considering having a code of conduct prohibiting "ostentation and conspicuous consumption", but the trend seems to be firmly going in this direction. **Restraint is the name of the game**, and as the current lawsuit between Mars and JAB (the investment arm of the Reimann family) illustrates, staying out of the limelight is the best way to avoid bad publicity. When it becomes amplified in social media, it can inflict considerable damage to a family's reputation and potentially in consequence on its business.
- **Financial Therapy:** According to the Financial Therapy Association and to a few conversations we had with psychologists, **COVID-19 has spurred a renewed interest in the issue of financial therapy**. Major existential crises like COVID-19 tend to favour introspection; and among families of wealth the realisation that **money doesn't protect from the fear and anxiety associated with the pandemic** (it even sometimes makes it worse). This seems to be at the root of this new phenomenon. Often, remembrance from the past, like the memory of a particular relationship with a parent or another member of the older generation or a sibling rivalry, interferes in the relationship with money, creating uneasiness and other negative emotions. This explains the appeal of financial therapy: it makes it clear that managing wealth is so much more than managing a portfolio: it consists of including "intangibles" such as wellbeing, relationships,