

Anticipating the new reality

Leveraging the past and the present in pursuit of a brighter future.

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As an admirer of frameworks and processes, the COVID-19 pandemic has been an opportunity for me to explore a variety of these in working through how we respond as individuals, families and businesses to the crisis.

As is the case with many crisis management frameworks, phases are generally split into pre-crisis, crisis and post-crisis, with the emphasis often in the backend on being opportunistic and challenging business owners to look to exploit the crisis in finding opportunities that provide both the business and the family the means to rise out of it in the best possible way.

KPMG's Global Recovery Framework of **Reaction – Resilience – Recovery** and **New Reality** is no different and in many of the conversations I am having with colleagues, business families, and friends around the world, while we are all at different stages, overall we have seen many move through **Reaction** and **Resilience** over the past few months.

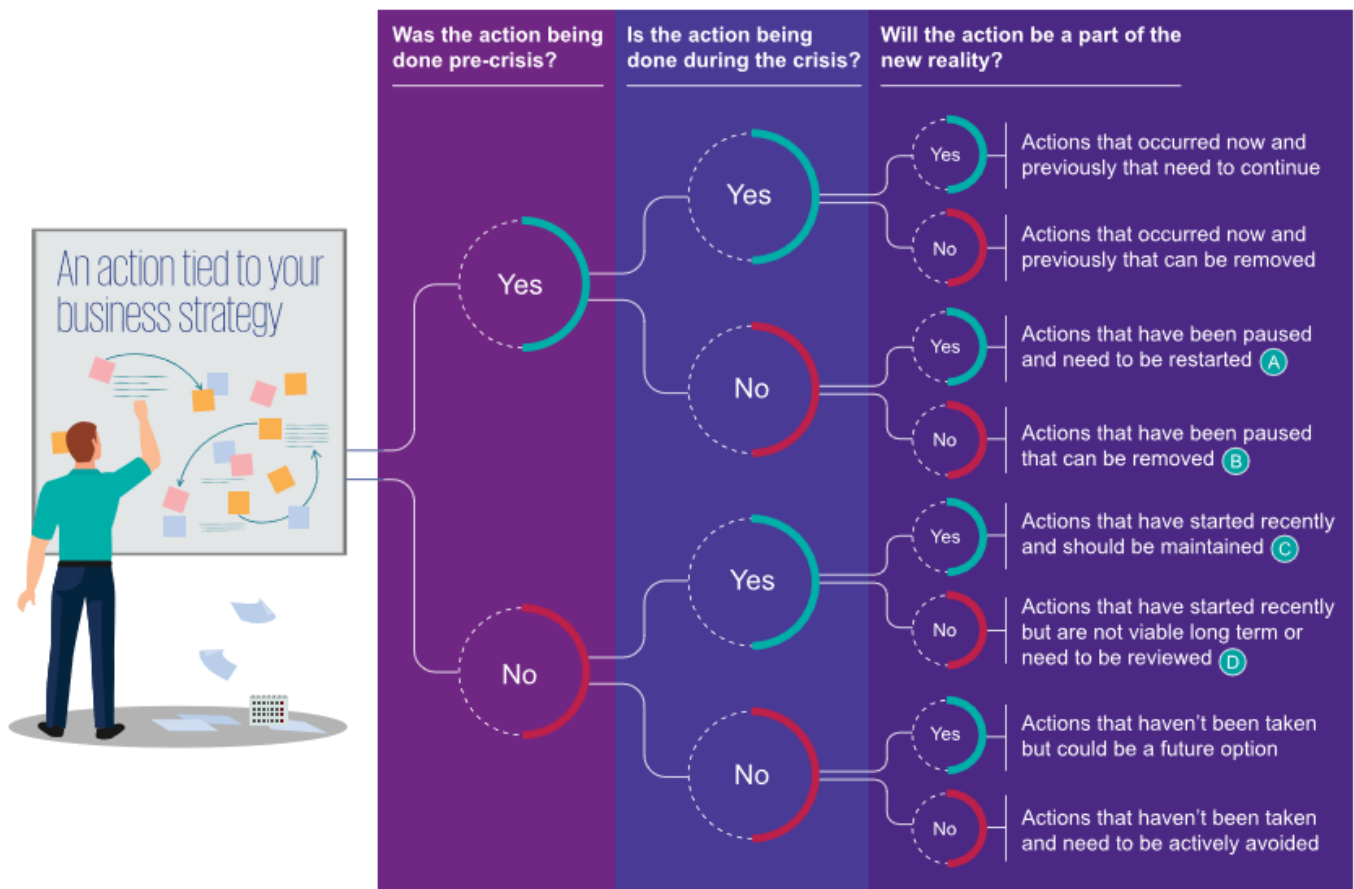
The **Reaction** and ensuing **Resilience** addressed many of the immediate needs of businesses and some of the common questions and challenges that have come up can be grouped into financial, operational and commercial resilience, covering issues of cash flow management, financial scenario planning, workforce and supply chain management, technology adoption and protection, customer engagement and lastly, business strategy going forward.

It is this final challenge of the business strategy going forward that is the bridge into the **Recovery** and **New Reality** phases where we move to a longer-term and more future-focused discussion on COVID-19. With various governments releasing their macro level plans for the return to the **New Reality**, now is the opportune time for businesses to do the same and capitalize on potential first mover advantage.

Business families and entrepreneurs are well placed to lean into this challenge, due to their focus on long-term thinking, patient capital mindset, and agile decision-making frameworks. These characteristics enable a transformational agenda across their businesses; the acceleration of digital transformation and focused responsiveness to customers, actions that will determine the speed and success at which businesses can move out of **Recovery** and into the **New Reality**.

Whether you are looking at the business strategy or family governance framework, the mindset applied in either case is similar, where you have a historical norm, a current state which looks very different, and a currently undefined future state. Of the eight outcomes that can be generated from the below flowchart depicting this scenario, there are a few that I would like to call out in particular.

Anticipating the new reality



Source: Daniel Trimarchi, KPMG Private Enterprise Global Centre of Excellence for Family Business, May 2020

Scenario A: Don't throw the baby out with the bathwater – in reviewing the old playbook, what did you do previously that worked well and now need to find a way to bring it back, even if it is in an adjusted format? For example, the cut to learning and development budgets and training opportunities for your people – how do we bring this back and in a way that greater utilizes the power of technology?

Scenario B: Clear out the deadwood – business leaders have taken this opportunity to really understand what is core to their purpose and value proposition and identify those actions that were in many cases legacy based or tied to practices or processes that were never properly reviewed or evaluated. A recent conversation with a business family resulted in a review of their sales markets and product lines resulting in the permanent

elimination of two product lines that were high effort and low return which they had temporarily paused during the pandemic.

Scenario C: Necessity is the mother of invention – what have you started doing recently out of necessity that is now delivering (potentially surprisingly) positive results? How do you encompass this in the plan moving forward? The most talked-about of these scenarios is the remote workforce and how this may support lower office space requirements (and costs) moving forward but also its benefit to the workforce in terms of flexibility.

Scenario D: The grass isn't always greener on the other side - within this category of 'doing now but not done previously' it is important to also review those actions which have had short-term benefit but potentially are not sustainable long term. One example with a business

family was the speed at which they were able to execute a recent product launch in response to the market changes – while the speed was impressive they quickly appreciated it was not sustainable to make this standard operating practice long term from a business process risk perspective and also given the pressures it put on its people to deliver in short time frames.

As the potential consequences of the current global health pandemic continue to evolve for family businesses I encourage you to follow our regular KPMG Private Enterprise series of [blog posts](#) as we share insights from across our global network on the impact COVID-19 may have on your business strategy and operations.

With the need to prioritize your focus, manage your resource allocation and address the issues that are of most importance, you can also take the [KPMG Private Enterprise Family Business Dynamics Assessment](#). This complimentary online assessment is dedicated to helping family-owned businesses like yours evaluate key opportunities and issues commonly identified by business families globally, and can be used as part of your strategic planning as you navigate these unpredictable times.

As we continue to navigate our way through COVID-19, there will continue to be frameworks and processes created. Those who are able to navigate their business and family through the **Recovery** with an eye on the **New Reality**, remaining true to their purpose and values, stand the best chance of continuing their success.

This article was written by Daniel Trimacarchi, Director, KPMG International. If you would like to speak to an advisor about any of the topics raised, please contact your nearest [KPMG Private Enterprise office](#) in New Zealand.

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