

Is Family Business A Model For The Future?

After a stimulating panel at this year's inspiring Sharjah Entrepreneurial Festival in the UAE, I felt compelled to reflect on the panel's very significant and relevant question: will family businesses have a place in the "next economy"?

The discussion about the future of family businesses in the rapidly changing technology driven world in which we now operate is a complex one. As global media is dominated by news about technology start-ups and leading conglomerates there seems to be a general impression that family firms might not be able to face today's business challenges and would appear not to be flexible enough to progress and succeed in times of great change.

A look into the history books however shows a different picture: throughout the 19th and 20th century family businesses in the have been the backbone of the economy and have been the core of the private sector, providing economic expansion and growth around the globe*. This suggests that family firms have always been a very successful ownership model and have thrived throughout the first three industrial revolutions (steam, electricity and ICT). Family-owned firms were able to take advantage of each stage of the global industrial development and commercialise the opportunities that arose locally and globally. Today, worldwide, family firms generally are the most frequently encountered enterprises, accounting for approximately 70% of global GDP.

Despite these facts, however, there are theories advocating that the technological shift we are experiencing in the current data revolution is so large and advancing at such an exponential speed that it may be difficult for established family firms to adjust in time and remain relevant to their customers' changing expectations and demands. Certain well-known characteristics of family-owned businesses could indeed impact a family firm's ability to become a crucial part of the fourth industrial revolution: family businesses have the tendency of having a more conservative approach to innovation than their counterparts, gaps in the inter-generational dialogue could slow down decision making and stakeholder considerations might prove a hindrance to drastic changes in business models. However, I believe that these and other limitations we can find in some family businesses are far outweighed by the advantages of the family ownership model. First generation and multi-generational family businesses both have the advantage of

- deep and long industry knowledge and entrepreneurial drive
- resilience shaped by family history and values
- the opportunity of swift decision making mechanisms
- access to different generations of talent, and
- invaluable market goodwill.

Used in a strategic way, these attributes can be the success factors for family businesses to remain driving forces in the fourth industrial revolution and allow them to leverage on their historically acquired position. Owners will of course have to be prepared to implement structural and strategic changes, review business models and be willing to adapt to the unavoidable changes we face.

At Tharawat we have been thinking about this topic for a long time and in response started the program "the Future of Family Business" in 2017. As part of this program we explore the

various aspects of the future of family businesses and create a platform for dialogue between owners from various regions.

Family businesses are by no means exempt from the global macro-economic trends and industry disruptions and family ownership will not be the only factor influencing their chances of success. However, international research both in mature and fast growth markets show that family businesses have proven that they are able to adapt and adjust to rapidly altering economic conditions. I therefore believe that family firms are very well positioned to take advantage of and evolve with the technological shifts that mark our era and be both the business model of the past and of the future.

*Research available focuses heavily on European and North American economies.