

Managing Through COVID-19 — Best Practices for Enterprising Families

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The COVID-19 pandemic has turned everyone's world upside down. Our families, our businesses, our wealth, life as we knew it has changed. Uncertainty is the new norm, and we know most families and business owners do not have experience managing through a crisis of this magnitude.

Governance

Managing risk across the family enterprise requires a highly effective and timely decision-making process. A crisis will impact each aspect of the enterprise differently.

- Do you have a governance structure and entities in place (i.e., Family Council, Owners Council, Board of Directors, etc.)?
- If so, does your structure provide for accountability and experience in managing risks/issues across the Family Enterprise, including family, business, ownership, family office and foundation risks, etc.)?

Communication

An effective communication plan is critical to the long-term success of an enterprising family and more critical during a crisis.

- Do you have mechanisms and protocols (including restrictions/guidelines, where necessary) in place to communicate with family members, the family office, board members, advisors, vendors, customers, employees and the media?
- Will your approach be effective in a crisis?
- Is it open transparent, collaborative and inclusive, internally and externally - all qualities that will aid in the ability to bounce back after the crisis?

Succession – Learning, Development and Leadership

Succession planning is difficult and necessary in normal times and even more critical during the current pandemic where elders are most at risk and the youngest are struggling to find meaning. Providing the right learning, development and leadership training and coaching is critical with different generational perspectives on wealth and its consequences.

- Have you evaluated and created a “Learning and Development Plan for the Rising Generation?”
- Do you have the talent and resources you need to ensure continuity when a crisis arises?

Health and Well Being — Medical Advisory

The health and wellness of your family, family office and business employees, as well as other stakeholders, is critical to the long-term success of your family enterprise. The pandemic has put strains on

the physical and emotional wellbeing of family members, employees, customers, board members and other stakeholders — like we have never seen.

- Do you have the appropriate focus on health and wellness, including the appropriate advisors to assist in the assessment, management and advocacy of the health and wellness issues affecting the family enterprise during a time of crisis?

Wealth Preservation – Financial Assessment & Cash Flow Management

Capital preservation, liquidity management and investment risk/reward assessment are paramount given current levels of volatility and asset illiquidity. Project your cash flow needs and liquidity position monthly, until the implications of the crisis become clearer and investment risk/reward is more rational. Consider operating business risk and longer term liquidity in a similar way.

- Do you have a liquidity and investment risk/reward management structure in place to preserve wealth and assess risk, liquidity and cash flow needs of the Family Enterprise?

Risk Management

Each Family Enterprise has a unique mix of assets, including marketable and alternative investments, residences, art, collectibles, aircraft and vessels and operating businesses. Families and Family Enterprises are complex organizations with multiple generations, often living in different cities with a strong need for privacy and security.

- Do you have a risk management strategy and experienced risk partner(s) to help you to identify operational, legal, economic, political, security and personal risks, evaluate your risk tolerance and identify and evaluate risk mitigation solutions and related costs?
- Have you identified a responsible party in your organization to manage and monitor these risks and communicate with risk partners and family members?
- Have you implemented cost-effective risk mitigation strategies to ensure wealth preservation and the safety and security of the family and their holdings?
- Have you evaluated your insurance policies for gaps and eligibility for claims, including health, life and disability, liability, property and casualty, business interruption, professional liability, errors and omissions, employment practices, workers' compensation, cyber, directors' and officers' liability?

Human Capital

While not measured on the balance sheet, human capital is invariably an organization's most important asset. Family Offices, and businesses in particular, rely on their team of skilled, experienced and loyal employees to handle sensitive, confidential and complex matters. During times of crisis, there's an interdependent relationship between an employer and their employees to sustain the organization and for that organization in turn to support their employees' needs and challenges during the crisis.

- Have you made accommodations to allow your staff to continue their roles and responsibilities in light of the current environment?
- Have you reviewed both existing and new federal, state and local employment laws protecting employees' rights and providing employer and employee relief?
- Have you communicated your plans for business continuity, continued employment and compensation and available assistance with your employees?

As issues and concerns mount during times of crisis which can threaten the health and safety of employees and the viability of an organization, an experienced human resources professional and employment attorney is essential to help navigate the organization to make sound and informed decisions.

Legal and Tax

Ultra-high-net-worth families, family offices and their operating businesses require the right legal and tax resources to meet their needs across a complex and changing social, economic and regulatory landscape.

- Have you reviewed your legal and tax structures to ensure they are tax efficient and meet your current needs and future goals and objectives?
- Do they have the legal and tax expertise to address your needs in these areas: corporate, partnership, securities, employment practices, family law, wealth transfer, estate, trust, real estate, international law philanthropy, across multiple jurisdictions?
- Are your legal and tax teams proactive, responsive and collaborative with you and your advisors? Will they be available to address any issue that presents itself, as you work through this crisis?

Physical Assets

Ensure that your real estate and other physical assets are properly insured, financed and physically safeguarded by trusted personnel that are able to physically visit your properties and check physical and electronic security systems in place.

- Do you have personnel, cameras and other security protocols in place to inform the family members that assets are safeguarded?
- Will your approach be effective in a crisis?
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Information Technology, Data and Cybersecurity

Ensure that remote access controls regarding dual authentication, payment of bills, wire payments and related data storage facilities are not compromised and susceptible to cybercrime during the crisis period. Review your vendors for similar controls during this period.

- Have you evaluated your cloud or physical servers for continued connectivity, ongoing remote access capabilities and possible cyber penetration given remote access needs during the crisis? Consider doing a similar review regarding your key vendors.

Services Support

Families and businesses rely on a vast network of vendors and advisors who provide essential services. As COVID-19 has not spared any organization, it is essential to maintain a continuous and open dialogue with your key relationships to understand their financial and operational issues and how they plan to manage these challenges.

- Are your key vendors able to continue to communicate, respond and deliver the services needed to support your organization?
- Have your needs changed as a result of the crisis?
- Are your vendors financially stable so they can to continue their operations in both the short and long term?

The answers to these questions may indicate that you may need to explore additional resources to supplement existing service providers. Opening lines of communication and asking the right questions will help you get ahead of potential problems.

Business Processes and Internal Controls

Families can protect their wealth and preserve their legacy by thinking strategically, continuously assessing their control systems and analyzing their operations in light of changing economic condition, family dynamics, constantly changing tax rules and cyber security threats.

Virtually all organization have been impacted by the COVID-19 crisis, often in unexpected ways. Staff may fall ill, be required to work remotely, communication may become disjointed and new technology may be introduced without sufficient evaluation, implementation and training.

This environment creates additional risk and operational challenges but if effectively addressed, can also create an opportunity for the organization to improve their operations, efficiency and controls.

- Do you have an experienced resource who can objectively evaluate and document your business processes and controls, ensure that staff is trained and can implement a compliance monitoring process?
- Do you periodically review these processes in light of economic, social, legal and technology changes?

Philanthropy

Many families are philanthropic and have established entities, a governance structure and a decision making process for all charitable donations and philanthropic giving.

- Is your family interested in doing something in response to the COVID-19 pandemic?
- Do you have advisors that can serve as thought partners and help you identify the most immediate needs, prioritize your interests, advise you on potential organizations and at the same time engage the rising generation?

Contact Us

We hope you find these ideas useful in helping navigate the current crisis and developing robust programs and protocols to mitigate the risks that your family enterprise will face today and over the long term.

Please contact us and we would be happy to schedule a phone call to discuss your current needs and/or answer any questions. Additionally, please visit our [COVID-19 Resource Center](#) for more information and insights from our specialists.

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