



CORONAVIRUS: HOW TO PROTECT YOUR FAMILY BUSINESS AND ITS SUPPLY CHAIN

Things Partner, Ramona Derbyshire, explores the specific challenges facing family businesses as a result of the coronavirus outbreak.

Anyone running a family business will be under enormous strain as a result of the coronavirus outbreak and its economic and personal impacts. It could impact the entire family's livelihood, and it can be all the more difficult to manage staffing when members of your team live together and need to self-isolate.

The personal side of a family business will also no doubt make the next few weeks very stressful and emotional. Family businesses are built on close relationships, which can become fragmented when contact is limited.

As working restrictions tighten in the UK, it is critically important to think logically about how you will manage demand, maintain relationships and protect your family's best interests. The following measures will help you safeguard your family business and assets during this time of uncertainty.

DELEGATE RESPONSIBILITY

During times of crisis it is important to make quick decisions, which can be problematic when other family members are not in agreement, or not able to work. That is why establishing a strategy for managing your business during the outbreak is vital. You will also want a clear chain of command and approval process, so decision makers can act fast.

Understandably, a number of family members may want to be in charge, and some will be reluctant to lose their current responsibilities. Check your Family Business Agreement to decide who should take which role, and if it remains unclear, it is worth seeking legal advice to help you quickly re-establish the line of authority.



CREATE A CONTINGENCY PLAN FOR YOUR WORKFORCE

Your family may be your only employees, or you may have external support. Either way, it is important to plan for any absences caused by the coronavirus. Some people may become ill themselves or unable to leave the house for self-isolation reasons. You should have a contingency plan to follow in case your entire family needs to self-isolate and you have no other staff.

Deciding who is essential and who can step into a role if someone cannot work is difficult at the best of times, but even more so for family businesses in the current crisis. You do not want to be seen as prioritising your family members. On the other hand, you may be concerned about paying wages for an external workforce that is not currently needed.

You should have contracts in place that determine how you manage your workforce when business is slower or demand increases. Check the wording carefully to avoid any breaches

PRIORITISE ESSENTIAL BUSINESS ACTIVITIES

You will need your suppliers to be on your side during the coronavirus crisis. It is essential that you know where you are at risk and that you manage that risk effectively.

Group the parties in your supply chain into 'essential' and 'non-essential' to your business activities and focus on those you currently need the most. You should contact the key people now to discuss how you can continue to work together during the outbreak. A contracts lawyer can help you decide the most logical steps to take.

Also remember not to neglect the suppliers who may be struggling at the moment. You might need their business later so be sure to communicate clearly and regularly.



CARE FOR YOUR CASH-FLOW

Cash-flow problems are likely to hit lots of businesses in the coming months and family businesses are no exception. You may need to alter or terminate contracts to minimise expenditure. It is a good idea to speak to a contracts lawyer early to review force majeure clauses or other contractual rights to cancel should you need to use them. You might also be chasing payments. With the courts likely to be delaying decisions due to disruption surrounding coronavirus, you may find it more effective to create a more rigorous debt recovery plan.

STRENGTHEN YOUR COMMUNICATION

Now is the time to ramp up contact with your stakeholders, suppliers and customers. It is vital they know how to work with you during the crisis. If you need to stop trade completely for a number of weeks, you should focus on preserving relationships that you may need once business starts to resume. For family businesses where relationships are personal, people may be more sensitive to difficult decisions. The coronavirus is a unique situation, and members of your family will be concerned about their own wellbeing, as well as the health of the business and the entire family. Try to be lenient and understanding. You may need to adjust the way you work together for some time, which will take patience and open conversation.

How we can help

Thrings' solicitors have experience in working with family businesses and can help you put a contingency plan in place to preserve your family's best interests during the coronavirus outbreak. Contact us for advice on contracts and strategic guidance.



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