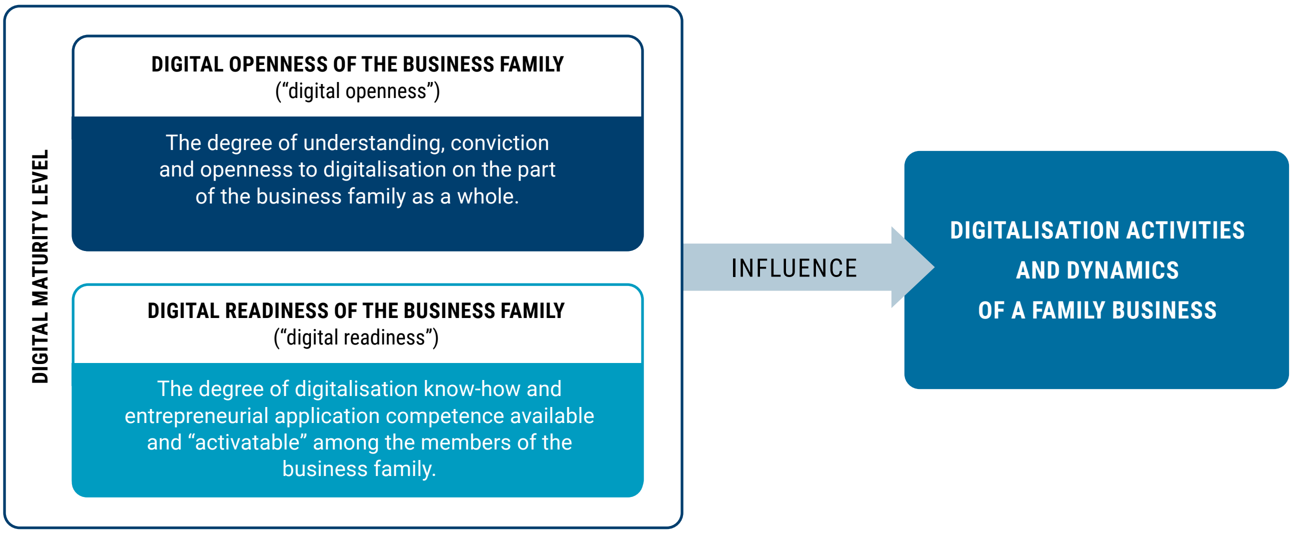
WIFU_compact_23: The Digital Maturity of the Business Family

Understandably, the success or failure of digitalisation activities in family businesses depends very much on the attitude of the business family. However, what at first glance seems so obvious raises the question of what is meant by the "attitude" or "approach" of the owners. It is certainly not just lip service – but what is it?

Do all people mean the same thing when they talk about digitalisation?
A survey on this subject would probably show that ideas of what constitutes digitalisation are by no means uniform across different business families. This is due to varying individual experiences and competencies, but also because digitalisation can take place on three levels: products, business processes and the business model. It is therefore important to develop a shared understanding of what is meant when the business family speaks of "digitalisation". For the following statements, digitalisation is defined as *the application of technologies that support (family) businesses to make their processes more efficient, make their products and services more customer-oriented and/or adapt their business model to newly emerging customer needs*.

… and here digital maturity comes into play.
Strategic considerations in family businesses are always determined by a specific "family factor". This can be understood as the totality of individual attitudes in a business family linked to the mechanisms of competence acquisition and decision-making in management and supervisory boards. A feature of this factor is the so-called "digital maturity" of the family, according to the following definition: *"[It] is expressed by the scope and extent of digital openness and digital readiness within a business family. Both factors are decisive for the digitalisation activities and dynamics of a family business."* Here you can distinguish two components: "Digital Openness" and "Digital Readiness". (See WIFU_compact 17: Digital Openness and Digital Readiness.)



Why is it important to know this digital maturity level?
It is important because the dynamics of the business's digital transformation depend upon it. If digital openness and digital readiness are only weakly developed, the impulse given to the business by the owners will be too weak to initiate or maintain any strategically meaningful transformation processes. Conversely, enthusiasm for the topic with no structured plan can also lead to a lack of focused activity and a waste of resources.

How is digital maturity assessed?
Although an assessment may sound like a school examination, no grades will be given. The most important element is an accurate self-assessment: we must know our starting point if we are to reach our destination. To this end, the following questions have often proved useful:

- Where do we place the highest priority: with products, processes or the digital transformation of the business model?
- How does our business performance compare to the competition, taking into account these three levels?
- Who are the principal actors in digitalisation, and who shares responsibility?
- Which stakeholders can provide support services?
- Which non-financial goals of the business family can influence the desired transformation?

Based on the answers to these questions, a map can be drawn that shows the starting point and destination, as well as any necessary detours, such as the acquisition of additional competencies by shareholders.

Who drives digitalisation forward, and who applies the brakes?
It seems obvious to assume a division between older and younger family members but it is not that simple. While it is true that openness to digital innovations is correlated with age, as levels of experience are very different, there are nevertheless other factors at work in response to digitalisation. In addition to the level of digital maturity, certain other characteristics specific to family businesses need to be considered:

1 A strong *identification* of the family with the traditional business model can hinder necessary digital transformation if the family fears the loss of its identity.
2 Similarly, the family's *emotional attachment* to the business can also have a negative effect if intra-family decision-making processes are so emotionally charged that their rationality suffers as a result.
3 Strong social *networks* with stakeholders can have a positive effect if, for example, customers or suppliers are involved in joint digitalisation projects.
4 However, it may also be that the business family is reluctant to jeopardise networks by introducing innovative projects, preferring to protect established relationships and its own *social capital*. |
5 The *long-term orientation* of business families generally has a positive effect, as this resilience ensures a continued commitment to projects that do not offer quick returns.

Is there a concrete benefit to determining the digital maturity level?
Absolutely! Mastering the challenges posed by digital transformation is of existential importance to family businesses. For example, the Covid-19 pandemic significantly increased the pressure to digitalise, and it has been shown that businesses with a higher level of digital maturity were better able to cope with critical situations such as lockdowns. In terms of crisis prevention, it is therefore important to learn from this experience and to question one's own digital capabilities. Furthermore, with a view to the – possibly crisis-ridden – future, it is of the utmost importance to specifically examine digitalisation activities to assess which contribute to the resilience of the family business and in what way.

Recent publications in the WIFU_compact series: Digital Transformation /// Identifying and Shaping Digital Business Models /// Digital Openness and Digital Readiness /// What is Ownership Competence? /// Elements of Ownership Competence **WIFU Practical Guide:** Digitalisation Strategies in Family Businesses **WIFU Studies:** The Influence of the Business Family on the Digitalisation of the Family Business (forthcoming) /// Digitalisation in German Family Businesses (forthcoming) /// Collaboration Between Start-ups and Family Businesses
Please download our WIFU publications free of charge: QR-Code or wifu.de/en/wifu-library/

WIFU FOUNDATION

Alfred-Herrhausen-Strasse 48
58448 Witten | Gemany
Tel: +49 2302 926-510
stiftung@wifu.de | www.wifu.de

© 2023 · WIFU Foundation

Reference:
This episode of WIFU_compact is based on the WIFU study "Der Einfluss der Unternehmerfamilie auf den Digitalisierungsprozess des Familienunternehmens" by Tom Rüsen, Anne Heider, Marcel Hülsbeck and Ruth Orenstrat, published in 2021 (English version forthcoming).