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Business families in times of crises: The backbone of family firm resilience and continuity

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ABSTRACT

Against the backdrop of the current Covid-19 pandemic and the related world economic crisis, we reflect on the role of the business family as a pivotal resource in family firm crisis management. We discuss how business families respond to the pandemic outbreak and how some accomplish to turn challenges into opportunities and manage to emerge from the crisis even stronger than before. Related to that, we develop a research agenda on crisis management in family firms and the specific role of the business family in this regard. We also introduce the four articles in this special issue which were initially presented at the 3rd International Family Business Research Forum (IFBRF) at WU Vienna in September 2017. All four articles tackle core topics in family business research and practice, including succession, innovation and family governance, which are core elements for building a resilient business family.

1. A strong business family as a resource during crises

The current Covid-19 pandemic did not only trigger a grave global health crisis, but its economic implications also put family firms to the test. Stock markets have experienced uncertainty and high volatility (Engelhardt et al., 2020; Lőcsei & Molnár, 2020) and numerous economists foresee severe economic recessions (e.g., Andersen, 2020; McKibbin & Fernando, 2020). While the current crisis is of a much larger scale and of a different nature, it is also reminiscent of the world economic financial crisis (2008–2010). It is therefore a good starting point to see what happened to family firms during that time and what we have learned since.

First, the evidence on comparing the financial performance of family and non-family firms during the 2008–10 crisis was rather mixed, indicating that family firms were either worse (e.g., Lins et al., 2013) or better (e.g., Bauweraets, 2013; Minichilli et al., 2016; Zhou et al., 2017) able to cope with the consequences of the crisis. Lins et al. (2013), for instance, present comprehensive cross-country data showing that family firms cut investments to a stronger extent than non-family firms did and at the same time took actions at the expense of shareholders during the great recession. This resulted in significant financial underperformance. On the other hand, contradictory evidence concludes that family firms outperformed non-family firms financially among the group of S&P 500 companies. Founder-led family firms contributed to this outperformance because they did not overinvest during the global financial crisis to increase short-term earnings (Zhou et al., 2017). This study offers a contrasting reasoning. In a similar vein, listed industrial family firms in Italy performed significantly better financially as compared to their non-family counterparts during 2002 and 2012 (Minichilli et al., 2016).

Despite some similarities, the Covid-19 pandemic outbreak has brought a series of consequences that firms of every type operating in a globalized world have not witnessed since the time of the world wars. These include national lockdowns, a disruption of the global value chain, entire industries blocked and others experiencing a significant increase in demand, a global sanitary emergency that has challenged traditional assumptions on insourcing, outsourcing and cooperation at a global scale, with national states in the background taking centralizing control and taking more power to address the continuous uncertainty.
Although the pandemic crisis is still ongoing, there have already been several attempts to investigate and understand how family firms reacted. A study comparing the financial performance of listed family and non-family firms in Italy during the beginning of the Covid-19 crisis (Amore et al., 2020) found that firms with controlling family shareholders, in particular if the CEO position is also held by the family, perform significantly better financially than their non-family counterparts. This effect can be attributed to the superior resilience of family firms, given for example their ability to leverage their family’s social capital and patient financial capital that in times of crises can make a difference. Furthermore, according to Kraus et al. (2020), family firms from five European countries pursued three different kinds of short- and long-term coping strategies in reaction to the Covid-19 crisis: (1) Across all sizes and industries, they have adapted their business models to the changing environmental conditions in a comparatively short period of time. Thus, the fast reactivity of family firms has successfully been put to the test. (2) In the longer term, the crisis also led to a considerable but unintended change in culture. Stronger cohesion and solidarity were observed within the firms studied. (3) Furthermore, the crisis entailed a focus on digitalization and innovation. For instance, there are numerous examples of family firms that have changed over their production line to manufacture face protection masks and medical overalls, e.g., the Italian Giorgio Armani Group, the lingerie manufacturer Mey in Germany, and the German coffee filter producer Melitta Group. Yet this last strategy at least partly refers to a general trend and is not limited to family firms.

Many multigenerational family firms witnessed past severe crises, including natural disasters, economic recessions, regime changes and wars — lending them a certain sense of perseverance and resilience for future crises (DeCiantis & Lansberg, 2020). At the same time, many other family firms severely suffer from the effects of such crises, up to the point where their existence is threatened, e.g., in the tourism and restaurant industries. Therefore, the focal question of interest is how family firms differ in their crisis management and why some family firms are more resilient than others.

These differences can be observed in different ways. For example, the consequences of failure are much larger for owner-managers of family firms than for managers of non-family firms (Cater & Beal, 2014). The former risk losing their family property, attracting negative public reputation for their family name, and jeopardizing the family legacy. Responsible business management is therefore in the best interest of the business family (Siakas et al., 2014). How both externally- and internally induced crises are managed depends to a large extent on the business family that owns and/or governs the firm. When the business family is strong and cohesive, it has a stock of resilience that functions as a cushion for the family and the firm in times of crises (Danes et al., 2008). Strong business families provide specific resources in terms of a “family quality” or “distinctive familialness” (Habbershon et al., 2003) to their firms. They often take a long-term focus and show high willingness to hand over the firm to the next family generation (Salvato et al., 2020). Family ownership gives the business family the opportunity to make critical decisions that see the firm through challenging times (Baron & Francois, 2020). In such times, business families demonstrate a particular readiness to make sacrifices, which becomes apparent in their willingness to work harder and for limited rewards, severe parsimony and wage sacrifices (Minichilli et al., 2016; Rüsen, 2017; Siakas et al., 2014). This provides emotional and social capital to the firm and makes it more resilient (Salvato et al., 2020). “Weak” business families, by contrast, may develop “constrictive familialness” (Habbershon et al., 2003) and even become the root for internally induced crises, e.g., in the case of a divorce (Haag & Sund, 2016) or the transfer of dysfunctional family conflicts to the firm (Rüsen, 2017). Thus, business families can also become a liability and cause significant harm to their firms. In any case, the business family is a central steering unit at times of crises as “sustaining the unity and commitment of family owners via crisis governance is as essential to enterprise continuity as effective crisis leadership and proactive crisis management” (DeCiantis & Lansberg, 2020, online). A highly committed and conflict-immune business family is better capable to manage crises and challenges caused by dynamic and hostile environmental developments.

With this article, we reflect on the role of the business family as a pivotal resource in family firm crisis management during the pandemic outbreak. We discuss business families’ reactions to the present crisis and distill how some managed to turn it into an opportunity. We also develop a research agenda on crisis management in family firms focusing on the specific role of the business family. Finally, we introduce the four articles in this special issue which were initially presented at the 3rd International Family Business Research Forum (IFBRF) at WU Vienna in September 2017. All four articles tackle core topics in family business research and practice, including succession, innovation, and family governance, which are core elements for building a resilient family firm and a well-functioning business family. As such, the insights from the articles provide novel and useful contributions to the development of family business science and to the betterment of the families that are ultimately helped by it.

2. Crisis management in family firms

There is limited systematic evidence on how family firms manage and withstand crises (for some exceptions, see Cater & Schwab, 2008; Cater & Beal, 2014; Faghfouri et al., 2015; Kraus et al., 2013; Kraus et al., 2020; Rüsen, 2017). Crisis management in family firms includes planning and coordination in response to situations that threaten business and family continuance (Carsrud & Brännback, 2011). It contains all the necessary measures within the firm as well as in relation to (potential) positive and negative influences that can come from the affiliated business family (Rüsen, 2008). In many cases, destructive relationship conflicts provide a fertile ground for damage to the family and firm (Von Schlippe & Frank, 2017).

We can assume that crisis management in family firms is distinct from and more complex than that in non-family firms. This results to a large part from the parallel-interdependent processes within the firm and the business family, combined with family firm-specific structures, behaviors, and actions (Miller et al., 2018). Therefore, the business family and its formative influence on the dynamics of crisis call for systematic attention. Hence, while in non-family firms the focus of crisis management is usually on legal and business economics, we also need to consider psychological and family therapy aspects in family firms (Rüsen, 2017).

According to the resource-based view, family firms are better able to withstand periods of crises due to their superior mix of resources. First and foremost, family firms have survivability capital – personal resources that family members contribute to the firm which provide a safety net in economic recessions and crises (Sirmon & Hitt, 2003). This comes along with an extraordinary human capital – the business family’s tacit firm-specific knowledge, hard work and extraordinary commitment (Bai et al., 2020; Cunningham et al., 2016; Sirmon & Hitt, 2003). Business families usually own the key steering power in the governance structure of the firm and therefore offer strategic flexibility, less formalized decision-making processes, and fast reactivity if the situation affords it (Carney, 2005; Le Breton-Miller et al., 2015; Sirmon & Hitt, 2003). Furthermore, the business family invests patient financial capital in the firm and withstands short-term losses for the sake of sustaining the family legacy across generations (Miller & Le Breton-Miller, 2005; Sirmon & Hitt, 2003). This typical long-term perspective thus frames key decisions taken by the business family (Frank et al., 2017; Lumpkin & Brigham, 2011). The business family’s relationships and networks with internal and external stakeholders (i.e., social capital) are consequently rather strong and long-lasting (Carney, 2005; Miller & Le Breton-Miller, 2005). Trustful relationships with employees and a strong family-internal social capital can enhance the benefits of family ownership during crises and help to retake entrepreneurial actions that again bring positive results (Chirico et al., 2011; Christensen-Salem, 2014).
During times of crisis, business families are better able to mobilize their specific bundle of resources to keep their business operating, lending them a particular resilience (Amano & Jaussaud, 2012; Kraus et al., 2020; Lee et al., 2016). This “immunity of the business family system” against crisis is based on the recognition of the beneficial contributions business family members make to the family and the firm. It requires an appreciative communication culture and the willingness and ability to integrate the different competencies of the business family members for the benefit of the firm. This integration enhances a process of “business family system individualization” and requires the business family to take care of this process (Kleve, 2020). Heterogeneous competencies and good relationships within the business family create a fertile ground for innovations and successful succession processes (see Kandade et al., 2021; Umans et al., 2021; Zybura et al., 2021 in this special issue).

While the crisis turnaround strategies pursued by small family firms might not be so different from those of non-family firms (e.g., change in upper management, the integration of external management expertise and cost reduction), family-specific attributes take a moderating role in this regard (Cater & Schwab, 2008). They act as contingency factors, meaning that they can either help withstand the crisis or be an impediment to combating the crisis. The business family’s cross-generational horizon involves strong efforts for liquidity safeguarding and secures financial coverage in volatile times (Miller & Le Breton-Miller, 2005). Furthermore, the business family’s strong bond with the firm can also extend to non-family employees (Berrone et al., 2012; Cater & Schwab, 2008) and especially comes into play during crises, for example, through frequent communication with non-family employees and their extraordinary solidarity and commitment (IFERA, 2020; Kraus et al., 2020). For instance, Ferrero, one of the largest family firms in Italy, has decided to pay their employees a production bonus of 2,200 euro gross as a recognition of their hard work in the difficult time of the lockdown and as a kind of profit participation.² The Hilti group, the tool manufacturer from Liechtenstein, took a similar employee-friendly approach: To preserve jobs, they decided on a bundle of measures, including a temporary hiring freeze, the cancellation of major events and business trips, and short-term furlough (“Kurzarbeit”) in many business areas. As an act of solidarity with colleagues on short-term furlough, employees at the headquarters could voluntarily forgo 5% of their salary in return for compensation days. These savings would go to a social fund for particularly hard-hit Hilti employees worldwide. To safeguard liquidity, the family trust (as sole shareholder) provided a stand-by loan and waived the dividend for the year 2020.³ Thus, if non-family employees are willing to work harder and, in the extreme case, even might accept pay cuts, this can yield family firms a considerable competitive advantage during an organizational crisis (Cater & Schwab, 2008).

The business family’s trust-based relationships with employees often extend to other stakeholder groups and provide the basis for strong networks. Together with other family firm features, including the use of local knowledge, flexible decision-making processes, and fast responses to environmental changes, these can lead to strategic advantages in times of crisis (Cater & Beal, 2014). Family firms with a “family disrupter”, i.e., a family member in a central position who strives for the adoption of innovative technologies, tend to have an advantage in the context of disruptive industry changes (De Groot et al., 2020). Yet the typically attributed fast reactivity of family firms may not apply to family firms with external directors and a particularly large number of shareholders causing a divergence of family and non-family interests (Kraus et al., 2020). Sometimes, even in firms with pure family management, which can potentially be faster in reacting to external pressure, the effectiveness and speed of change implementation might be hampered due to a focus on conflict avoidance and strong consensus orientation within the business family (Cater & Schwab, 2008; Miller & Le Breton-Miller, 2021). It may be because of their internal orientation that family firms often hesitate to or refrain from seeking external support (e.g., from consultancies) in response to crises as this would apparently be a sign of family firm mismanagement (Cater & Schwab, 2008). Empirical evidence indicates that formalized crisis procedures decline with increasing family ownership, an effect that is moderated by the existence of supervisory boards. Family firms with supervisory boards exhibit a comparable degree of formalization in crisis procedures as non-family firms with supervisory boards. Those family firms without supervisory boards show lower levels of formalization in crisis procedures than non-family firms without supervisory boards (Astrachan et al., 2021; Faghfouri et al., 2015).

The way family firms have dealt with past crises at both the firm and family levels has an influence on how they reacted and behaved in the scenario of the current pandemic. Surely, crisis management seems to be central in the debate, and understanding how to cope with the crisis and its aftermath is of utmost importance – now more than ever. When referring to crisis management in family firms, three central components of this process can be identified (Riesen, 2017): (1) The identification of specific strengths and weaknesses of the family firm through the analysis of the “individual family factor”; (2) Based on the results of this analysis, the conception and implementation of special restructuring measures in the firm (a) for treating and reducing elements with a destructive effect (e.g., negative interferences from the business family) and (b) for the dedicated use of specific resources (e.g., the network of relationships in the business family); and (3) The initiation of specific crisis management on the part of the business family. Following this process could equip family firms with what is needed to navigate the rough waters of the pandemic outbreak without forgetting that they also need to embrace an uncertainty mindset that comes with an entirely different orientation and set of strategies.

3. Functioning of the business family

To understand how business families cope with the effects of crises, adapt their business strategies, and become resilient over time, we first need to understand their functioning. Business families are, in fact, the central stakeholders for family firms. The way they organize and position themselves in relation to the firm can render them either a resource or a burden for the family firm. Strengthening business families is particularly important in times of crisis because it can enable them to better cope with the crisis (Frank et al., 2019).

A business family (enterprising family) is understood to be a family whose members are involved in decision-making processes that affect important decisions for the firm and the structuring of relationships with the firm, taking family interests into account (Frank et al., 2019). Members of the business family have to decide how much value they attach to both systems in their actions and decisions. Particularly in times of crisis, it can be assumed that the business family and its ability to act and make decisions are given a higher priority to ensure the survival of the business and thus also the well-being of the family (Kleve, 2020; Le Breton-Miller & Miller, 2018).

To effectively organize the business family and turn it into a powerful resource for the event of a crisis, the topic of family management and governance is central. The business family is well-advised to deal with its family management and continuously reflect upon it before confronting crises in order to strengthen the business family system and to avoid debilitating conflicts. Business families have the option of defining explicit rules, for instance in written family constitutions or through explicit verbal agreements, to be at least morally bound to certain behavioral expectations (Fuetsch & Frank, 2015; Koeberle-Schmidt et al., 2012; Suess, 2014). Nevertheless, the relational part of this should not

² https://www.world-today-news.com/ferrero-an-annual-bonus-of-2-thous-and-euros-for-all-employees-agreement-between-company-and-trade Unions-satisfaction-despite-difficult-period/
³ https://www.hilti.group/content/hilti/CP/XJ/de/company/media-relations/media-releases/COVID-19-measures.html.
be underestimated, as good written principles without good relationships do not go anywhere (Astrachan et al., 2020). Thereby, business families adopt organizational characteristics that ideally prevent conflicts or make them easier to handle, because, for example, appropriate procedures are provided in family constitutions. Even if business families develop family constitutions, unintended side effects are always to be expected. Such side effects can sometimes counteract the positive planned effects. An example is family constitutions created to handle a prevailing conflict and its possible effects; if a new conflict arises requiring the application of the family constitution to handle it, there is always the risk that the previous conflict can reactivate again (Kormann, 2012).

In addition to these more formal family management vehicles, informal rules and mechanisms emerge from the implicit behavioral expectations of members of the business family (see Bloemen-Bekx et al., 2021 in this special issue). Informal rules often develop spontaneously and support the business family through its different business and family stages of development. Nevertheless, these rules can sometimes be perceived or interpreted differently among family members (a) among non-family members when they are involved in the managerial side of the business. Furthermore, when members of the new generation enter the business family, they often challenge some of these informal rules. These can create additional challenges for business families if they are not openly discussed (Kleve, 2020).

According to Kleve (2020), the third category of rules (in addition to the family-specific formal and informal rules) is the elementary rules of social systems, which are largely of general importance, and are of fundamental relevance for the successful functioning of business families, especially during times of crises. For instance, the principle of giving and taking of business family members postulates that if this balance is violated, conflicts can arise. The already mentioned principle of family firm system immunity implies a fair recognition of the contributions made by family members to the firm (and the family). Furthermore, the principle of business family system growth implies an appreciation of the achievements of older members by the younger ones joining the business family, based on membership rules. These principles require special attention because they enhance the capacity to decide and act, which is of special importance in times of crisis. Business families are advised to include them in their reflection processes (Kleve, 2020). Being aware of these basic rules of the business family system can also contribute to preserving socioemotional wealth, i.e., attracting new business family members for succession, creating a positive attitude towards the family firm, and fostering the identification with the family firm (Hauck et al., 2016).

Consequently, it is important to acknowledge that the success and resilience of business firms depends largely on the functionality, the processes and relationships within the business family (Danes et al., 2008; Olson et al., 2003). The firm, the family and the business family all develop their distinct expectations (rules), and mutual influences are processed through system-specific rules (Frank et al., 2019). Business families constitute social systems that manage to develop their own logic but act as “partners” for the firm and the family (Von Schlippe et al., 2017). The concept of “enterpriseness” (Frank et al., 2019) is particularly suitable to understand the idiosyncrasies of business families. It explains the peculiarities of business families through various structures that the business family develops based on the structural coupling with its business (or businesses) and the family. These structures represent business and family mutual expectations and assumptions. It is effective in the business family, i.e., that influence the business family’s decision-making behavior” (p. 264). The concept of enterpriseness is tripartite and includes the following three approaches (Frank et al., 2019).

3.1. Components of involvement approach

This approach addresses the size and diversity of the business family (in relation to the family). It puts the question of boundary management at the center of attention, i.e., (1) family = business family, (2) family < business family and (3) family > business family. The authorization to form part of the business family is often based on legal business ownership, but other factors such as special business-relevant qualifications or future functions in the business (e.g., through a planned succession) can lead to membership in the business family, too. Membership in families is comparatively easier to determine and more difficult to change through family relationships or marriage or entering a domestic partnership. Membership in a business family, by contrast, can be decided or designed through changeable membership rules and be changed more easily. As the business family becomes larger and more diverse, a potential for a “liability of complexity” (p. 272) arises, i.e., more complex expectation structures develop and can lead to dysfunctional conflicts and the postponement of important decisions such as succession decisions. In the context of crises, a high liability of complexity might be a particular burden for the business family that is required to make fast decisions. Therefore, this might lead the business family to reduce the circle of decision-makers to an essential nucleus. For instance, an alarming drop in sales might not allow sufficient time to carefully consult and prepare a decision with a wider group of business family members. On the other hand, exceptional circumstances can require extending the circle of decision-makers. For instance, the business family might seek the advice of long-serving, crisis-experienced non-family employees in the firm.

3.2. Essence approach

This approach deals with the meta-question which business-related decisions should be made within the business family, considering the tensions between business- and family-related expectations. Family governance measures can act as decision-making bodies for guiding decisions on e.g., the membership policy in the business family (gaining and losing membership, related legitimization strategies) and succession strategies. The existence and active use of family governance bodies (e.g., a family council) are an expression of the business family’s professional stance towards the business (see also Lueger & Süss-Reyes, 2015). The functionality of the business family’s governance bodies is put to the test in times of crises. The focus of management and governance tasks is always dependent on the complexity of the context (Astrachan et al., 2021). Situations of crises and radical change are marked by a high degree of volatility (i.e., a lack of decision-making reliability and decision rules based on past experiences) and a low degree of variety (i.e., diversity of decisions) due to the sole focus of securing the firm’s survival. What counts is the business family’s decision-making ability and promptness. This is frequently reached by shortened communication paths, the fast timing of meetings and the centralization of power. What counts is the execution of demand instead of lengthy negotiations (Boos & Mitterer, 2014).

3.3. Identity approach

This approach covers the question who the business family is and how it is different from the business and the family. For instance, there are family firms that do not have a pronounced identity or at least do not communicate it to their stakeholders because this would not yield any competitive advantage in their industry. Vice versa, the business family may reflect very well on how it handles the influence on the business and central decisions shaping their past and future, as well as how to pass on their identity to the next generation. Thus, the business family identity might differ from the family firm identity and complex business families, including several family branches, might even develop multiple diverging identities (Eltzschb & Pieper, 2019). A strong business family identity might help to stand together in crises and to take self-sacrifices as a business family for the sake of securing the firm’s survival. A business family capable of weathering an apparent crisis or even turning it into an opportunity for the firm might experience a strengthened
identity combined with an increased family cohesion, self-affirmation and pride.

It stands to reason that business families with a certain type of enterpriseness might be better able to cope with the effects of crises, to respond with innovation and to emerge from the crises even stronger than before. For instance, a certain decision-making quality and promptness as well as a strong business family cohesion might be invaluable in times of crises. Yet empirical evidence on this is still scarce and calls for future research.

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4. Business families in times of crises

Organizational resilience is defined as the ability to prevent, react to, and recover from sudden, impactful incidents that could threaten the existence of a firm (Hillmann & Guenther, 2021; Lengnick-Hall & Beck, 2005). It thus deals with the relation between planning for a crisis and the actual adaptive behavior if a crisis occurs (Amann & Jaussaud, 2012).

Business families are frequently able to minimize the effects of crises (Campopiano et al., 2019) or even transform apparent crises into entrepreneurial opportunities. As also known from psychology, a family’s conviction in its capability to find solutions and resources to cope with challenges as a group can be considered as a cornerstone of resilience (Patterson, 2002). In a family firm setting, the business family’s fortitude can therefore be considered as a source of superior business resilience and longevity.

Externally induced crises, such as the current Covid-19 pandemic, constitute a major threat to the family firm as they might jeopardize the financial and emotional wealth the business family has accumulated since inception (Salvato et al., 2020). Especially the stock of affect-related value that the business family has invested in the firm, also known as socioemotional wealth (Berrone et al., 2012), can be at stake during a severe crisis. Indeed, the business family might at least partially need to give up “family control and influence” over the firm due to a company sale, closure or the appointment of external governance bodies (De Mel et al., 2012; Salvato et al., 2020), which could be particularly helpful when facing an extreme situation. The “identification of family members with the firm” may suffer, as the external stakeholders’ positive firm image could diminish (Nolen-Hoeksema & Morrow, 1991; Salvato et al., 2020) as a result of forced choices the business family has to take and that often confront them with a trade-off between diverging interests and priorities. Therefore, those disruptions caused by externally induced crises can affect the “binding social ties” among members of the business family as well as their relationships with important stakeholders (Miller et al., 2011; Salvato et al., 2020).

Furthermore, downsizing or business loss owing to the crisis is a highly emotional event for most firm owners that might also decrease the “emotional attachment of family members” to the business (Salvato et al., 2020; Shepherd & Williams, 2014). Finally, due to a reduced financial viability at times of crises, “renewal of family bonds through dynamic succession” can be challenged through adverse events and make a business sale more realistic (De Vries, 1993; Salvato et al., 2020; Zellweger et al., 2012).

Depending on the external contingencies derived from a crisis, family firms alternate between risk-averse strategies in stable times and more risk-tolerant strategies when external hazards arise (Gómez-Mejía et al., 2007). Thus, in situations of critical threats, family firms may be willing to take strategic decisions that might reduce their socioemotional wealth for the sake of financial returns (Gómez-Mejía et al., 2011). Patel and Chrisman (2014) summarize that when firm performance meets or surpasses expectations, family firms will reduce risks, rely on existing sales and search for stability, rather than investing aggressively. Yet when performance drops below expectations, loss-averse family firms will accept relatively more risks than non-family firms do. In a similar vein, Smith (2016) concludes that family firms agree to increased risk as a response to external crises and a consequent perceived threat of their socioemotional wealth - a behavior that she labels “engagement intensification” (p. 401).

Times of crises for business families are unique opportunities to test if they are equipped and fit for becoming long-lasting. Surely, if compared with other types of organization, business families can better leverage their resilience, agility, and adaptability to react to unexpected events and crises which could put at risk all what has been achieved. The fact that they are focused on nurturing a business that future generations will carry forward gives them a special survival instinct stemming from their family social capital, family financial patient capital, family relationships and family governance. Nurturing those elements in stable times is of utmost importance to survive during challenging times.

5. Research agenda

The current state of knowledge on the strategic behavior of business families during times of crises is still rather limited and leaves ample room for future investigations. Therefore, in the following section, we develop an agenda for future research.

We can observe many multigenerational family firms around the globe that have mastered several crises in the past (see for example the Henokiens,4 which are bicentenary family businesses). Yet our state of knowledge about the crisis management strategies of these firms and their adjacent business families is relatively scarce. Thus, in particular regarding practical implications, it would be worthwhile to conduct in-depth case studies and to learn from these especially crisis-resistant firms (see for example the recent article series based on 37 in-depth family firm case studies realized by the STEP Project Global Consortium in partnership with KPMG Private Enterprise and the IFERA 2020 study on crossing the crisis).5

Business families frequently establish strong and longstanding relationships with their internal and external stakeholders (Carney, 2005). Stakeholder relationships play a pivotal role in facing hardship (Salvato et al., 2020) and can significantly influence the success of turnaround strategies and firm survival in times of organizational decline. Therefore, making active use of stakeholder relationships seems critical for weathering organizational crises. Using the lens of stakeholder theory to address open questions on the business family’s ability to leverage stakeholder relationships as well as stakeholders’ motivation to contribute to turnaround strategies and post-crisis outcomes deserves further attention (Trahms et al., 2013). Furthermore, defining and implementing a stakeholder map could be a useful tool to help business families identify their key internal and external stakeholders and be aware of where power relationships are to be properly managed in times of crises.

Turning to business families, it seems worthwhile to investigate how business families with different types of enterpriseness (Frank et al., 2019) manage the effects of crises. Therefore, it would be worth investigating heterogeneous constellations of business families, identify their unique and distinctive features and then analyze how they react during crises. This can surely shed more light on disentangling business families and help understand the mechanisms governing them. Possible research questions could be: How is a certain heterogeneity within the business family related to the strategic behavior during a crisis? Which are the distinctive features of business families that matter the most during a

4 https://www.henokiens.com/.
5 http://home.kpmg/xx/en/home/insights/2020/11/empowering-the-future-of-family-business.html, https://ifera.org/crossing-the-crisis/.
criterion? What is the relationship between the type of business family identity and resilience during a crisis?

Business families can be considered as heterogeneous bundles of resources. In times of crises, business families might need additional resources in terms of human and social capital as well as financial capital. Different types of business families can, however, use and combine those resources differently to manage a crisis successfully. Questions which could be further investigated are: What are the resources business families leverage on when facing a crisis? How are business family internal resources integrated with new resources? Who are the actors within a business family that enable those resources to be orchestrated?

Future research could also investigate what principles are used by business families to compose, manage, and govern them. For example, enrolling and engaging family members in the business family could require the definition of specific membership policies. These policies are useful to define time of entry into the business family, which could influence their size, as well as their composition in terms of age, gender and professional background of its members. Understanding these demographic aspects of business families can reveal the way they are managed and governed; this can surely bring forward the debate on the importance of business families to understand the family business phenomenon from both the theoretical and practical sides.

The identity of business families as a social system may also impact the crisis management of their family firm(s), i.e., a key question to be addressed in future research may be the effect of strong versus weak identities and multiple identities and their influence on crisis management. Furthermore, the impact of a crisis of the family firm on the identity and its different characteristics is of key interest and deserves further exploration.

Initial empirical evidence indicates that the existence of supervisory boards entails a formalization of crisis procedures in family firms (Faghfouri et al., 2015). Following up on this notion, further research could tackle questions on how different business and family governance architectures contribute to coping with the effects of crises, e.g., are business families with external managers and a family council better equipped to cope with the effects of crises? Furthermore, relying on formal governance structure and mechanisms is not the solution to all; instead, integration with informal governance mechanisms and flexibility seems to be better correlated with adaptation and survival. Hence, future research could explore how flexible systems that integrate formal and informal governance structures and mechanisms (or only focus on informal ones) relate to business family crisis management.

Finally, during times of crises, business families might be inclined to reshuffle power constellations. For instance, the older, more experienced generation of family members might return from retirement and take an active steering function in the firm. However, this might provoke potential conflicts with the younger generation, who might feel overruled and deprived from its power. In a different constellation, the older generation might judge the crisis as a good opportunity to retire and to hand over power to the next generation, which consequently oversees crisis management (IFERA, 2020). If the younger generation demonstrates success in crisis management, it can also further legitimize its power and its role as a proficient successor. Thus, how power constellations change during times of crises and what dynamics on a family-, business family- and firm-level emanate from that calls for future research.

6. Introduction to the Special Issue articles

This special issue is linked to the 3rd International Family Business Research Forum (IFBRF) hosted by the Research Institute for Family Business at WU Vienna from 20th to 22nd September 2017. The forum was organized by Andrea Calabro, Hermann Frank, Alessandro Mini-chilli, and Julia Suess-Reyes. These four scholars have also served as guest editors for the present special issue.

The forum at WU Vienna received 30 submissions. After a first round of review, 14 were accepted for the conference. Two best paper awards were awarded and 9 proposals/full papers were submitted for consideration for this special issue. Two external reviewers per paper and the special issue guest editors assessed these manuscripts during each round of review. Finally, after at least three rounds of blind review process, and additional editorial guidance provided by Torsten Pieper, the Editor-in-Chief, four papers were selected for publication in this special issue of the Journal of Family Business Strategy. We would like to express our gratitude to the authors and reviewers that supported this special issue.

The articles within this special issue tackle core topics in family business research and practice including succession, innovation, and family governance. They present a diversity of topical issues, methodological approaches and theoretical perspectives that make a strong contribution to the development of the family business field at large. Furthermore, against the backdrop of the current crisis, these three topics seem to be more relevant than ever as many family firms are forced to innovate and change their business models to counteract sales losses. Furthermore, decision-making ability and promptness matter in times of crises. Therefore, a functional family and business governance becomes the core steering unit of effective crisis management. And, based on the respective context, business families can either bring forward succession decisions or postpone them (e.g., to make the older generation stay at home to avoid the risk of infection due to customer and employee contact, to put successors as crisis (co-)managers to the test or to enable a debt-free succession to the next generation).

The first article in this special issue, entitled “From family successors to successful business leaders: A qualitative study of how high-quality relationships develop in family businesses” is authored by Kiran Kandade, Georges Samara, Maria José Parada, and Alexandra Dawson. Despite the importance of developing high-quality relationships between family successors and their different stakeholders for effective leadership, firm performance and survival, the antecedents of high-quality relationships have received limited attention in family business research. Therefore, the authors investigate how high-quality relationships between next-generation family successors and family as well as non-family stakeholders develop and how they influence leadership development. They base their study on leader-member exchange theory and from interviews with 24 next-generation managers of Indian family firms. Considering its collectivist and patriarchal cultural attributes, the Indian culture seems to provide a particularly rich context for this study. The research findings reveal five key antecedents for the development of high-quality relationships: mutual respect, trust, early affiliation with the business, mentoring, and mutual obligation. Together, these five factors provide a fertile ground in which family successors can rise to become successful leaders.

The second article in this special issue, entitled “Innovation in the post-succession phase of family firms: Family CEO successors and leadership constellations as resources” is authored by Jan Zybura, Nora Zybura, Jan-Philipp Ahrens, and Michael Woywode. Applying a resource- and knowledge-based perspective, it analyzes the post-succession innovation output of family and non-family CEO successors in family firms on a sample of 455 German family firm successions. This study responds to several calls to empirically investigate the relation between succession and innovation outputs (e.g., Calabrò et al., 2018; Craig & Moores, 2006; De Massis et al., 2015). Overall, the authors show the importance of different family- and firm-related resources in enabling innovation output in the post-succession phase. Their findings show that an intra-family CEO successor, the successor’s increased CEO-related human capital, and the predecessor’s prolonged influence on the firm enhance the chances of post-succession innovation output. Furthermore, the authors find a moderation effect of successor CEO-related human capital on predecessor CEO influence.

The third article, entitled “Nurturing offspring’s affective commitment through informal family governance mechanisms”, is authored by Mira Bloemen-Bekx, Anita Van Gils, Frank Lambrechts, and Pramodita
The research question here is how business families make use of informal family governance mechanisms to facilitate the offspring’s development of affective commitment to the family firm(s) in the pre-entry succession stage. Focusing on business families and their informal governance arrangements, the authors address a particularly under-explored topic in family firm research, and at the same time a highly relevant subject for family firm advisors. The authors conducted an in-depth case study involving 21 interviews with members from a business family that aims to transfer its firm to the fifth family generation. The results show that family governance and ownership alignment nurture the next generation’s affective commitment towards the firm alignment through identity and career alignment.

The fourth and last article in this special issue is entitled “The influence of transgenerational succession intentions on the succession planning process: The moderating role of high-quality relationships” and is authored by Ine Umans, Nadine Lybaert, Tensie Steijvers, and Wim Voordecker. This paper is also the winner of the Best Inspirational Paper/Proposal Award of the 3rd IFBRF at WU Vienna. Similar to the first article in this special issue, the authors also focus on the relevance of high-quality relationships in the context of intra-family succession, yet rely on quantitative data (n = 125 Belgian family firms). Applying an SEW and a relational systems theory lens, the authors argue that the quality of relationships moderates the relation between transgenerational succession intentions and succession planning. The results confirm that high-quality relationships between the family CEO and the successor, as well as between non-family managers and the successor, increase the positive effect of succession intention and the level of succession planning. Thus, this study shows that the role of emotional aspects in succession planning should not be underestimated as a low quality of relationships can hinder family firms with high transgenerational intentions to initiate succession planning.

7. Concluding remarks

Facing a crisis is something that every type of business must experience. Navigating and weathering the storm those crises cause are abilities that only certain types of organization can afford. Business families seem to have in their DNA what is needed to navigate and survive the toughest of the crises: a pandemic. A pandemic outbreak brings with it an additional layer of unpredictability and disruption that challenges consolidated business and family assumptions. Leveraging their unique features, business families have been able to respond energetically to the different challenges arising from a pandemic. The unique characteristics of business families as systemic organizations, the mechanisms (formal and informal) that govern them, and their inherent heterogeneity are elements that deserve exploration, theorization, and systematization. This paper has been an initial attempt in this direction that we hope can enlighten the future understanding of business families and their strategic role during crisis management.

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