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Surviving the coronavirus pandemic and beyond: Unlocking family firms’ innovation potential across crises

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ABSTRACT

In this research note, we examine Finnboat, a traditional Finnish family firm, from the interrelated perspectives of crisis behavior and innovation. The firm under study has endured three major crises: the economic recession of the 1990s, the 2008–2009 financial crisis, and the coronavirus pandemic. Our study shows that Finnboat has undertaken only very modest, if any, innovations during stable periods but has conducted a series of radical business-model and technology innovations, triggered by the different crises. This finding implies that during crises, a risk-averse family firm can productively engage into risk-taking and innovative behavior, effectively engaging in a “preference reversal.” We also find evidence of a deliberate accumulation of slack resources during periods of calm, which are mobilized to back up innovation and renewal efforts when a crisis hits. Our findings highlight family firms’ potential to endure crises by adopting a temporal separation logic to the risk-aversion vs. risk-taking paradox, and relatedly, by strategically managing the resource portfolio. Based on the case study, we suggest several research directions, approaches, and methodologies for studying family firm behavior and change during and in-between crises.

1. Introduction

The recent coronavirus outbreak has challenged many family firms and resulted in different responses, including organizational transformation and innovation (Kraus et al., 2020). In general, evidence has shown that a crisis (i.e., a decline in organizational performance) can act as either a catalyst of or an inhibitor to innovation (McKinley, Latham, & Braun, 2014; Wenzel, Stanske, & Lieberman, 2020), and therefore, the crisis context and resulting strategic responses create important and interesting questions for family business scholars. Indeed, while family businesses are often seen as sufficiently steady and risk-averse (De Massis, Frattini, Pizzurno, & Cassia, 2015), they also include some of the most innovative organizations in the world (De Massis, Audretsch, Uhlaner, & Kammerlander, 2018; Erdogan, Rondi, & De Massis, 2020; Rondi, Überbacher, von Schlenk-Barnsdorf, De Massis, & Hülsbeck, 2021). Family business scholars have established that many family firms tend to combine innovation with their traditions (De Massis, Frattini, Kotlar, Petruzzelli, & Wright, 2016; Erdogan et al., 2020). Furthermore, it has been suggested that family firms tend to innovate incrementally, often avoiding radical innovation initiatives (Hu & Hughes, 2020). These findings can be interpreted according to the behavioral agency model, which suggests that family firms focus on socioemotional wealth preservation as their dominant strategic goal but, when their performance falls below aspirations, they are likely to shift toward a more innovative and risky approach (Chrisman & Patel, 2012; Muñoz-Bullón, Sanchez-Bueno, & De Massis, 2020). Therefore, the typical view of a traditional family firm implies that it underinvests in R&D and innovation in stable times but then increases its risk-taking when necessary during crises.

However, given that radical innovation in products, services, or even business models might be especially necessary during major crises—such as the recent and ongoing coronavirus pandemic (Battaglia, Paolucci, & Ughetto, 2020; Breier et al., 2021; Kraus et al., 2020)—we must understand more about family firms’ abilities to engage in risk-taking and radical innovation behavior during crises—and outside of crises to complement the picture. Indeed, Hu and Hughes (2020, p. 1227) have called for more research on “how radical innovation activities may enable the family firm to survive dramatic external environmental changes.” Second, while research on family firms’ innovation have opened up an exciting new area of inquiry, scholars have also lamented the literature’s limited understanding of innovation’s role in a firm’s long-term evolution (Carney, Zhao, & Zhu, 2019; Eddleston, Kellermanns, & Collier, 2019; Farjoun, 2010; Rondi, De Massis, & Kotlar, 2019; Sun, Lee, & Phan, 2019). Our exploratory, single-case study...
Concerns a a traditional Finnish-based family firm, labeled here as Finnboat, with a strong identification with the firm, emotional attachment, binding social ties, 100 % family control, and one succession from one family leader to the next generation already accomplished (see Berrone, Cruz, & Gomez-Mejia, 2012), while the next such succession is imminent but not yet practically planned. To more thoroughly address the research gaps surrounding radical innovation behavior during crises and innovation’s role in family firms’ long-term evolution, we explore the interrelation between crisis behavior and innovation activities across three major crises: the economic recession of the 1990s, the financial crisis of 2008–2009, and the ongoing coronavirus pandemic.

Aiming to answer the research question “How does a traditional family firm configure its innovative behavior during stable periods and crises over time?” our research note contributes to the literature’s understanding of the interrelation between crisis behavior and innovation in family firms’ long-term evolution (for reviews, see, e.g., De Massis et al., 2016; Hu & Hughes, 2020). Our study shows that the case firm engaged in risk-taking behavior and innovation during exogenous shocks, representing a preference reversal behavior (see Chrisman & Patel, 2012; Gomez-Mejia et al., 2014).\(^1\) We also find another behavioral model, resembling a punctuated equilibrium (Gersick, 1991; Romanelli & Tushman, 1994), through which this family firm was able to unlock the slack resources during crises that it had deliberately developed during stable periods. Throughout the three crises, this firm has rapidly and radically innovated the central dimensions of its business model and product portfolio; during the coronavirus pandemic in particular, the firm has also sacrificed its financial returns. Altogether, our analysis reveals how a risk-averse family firm can suddenly successfully and productively take risks despite a risk-averse past. This behavioral shift entails managing the risk-aversion versus risk-taking paradox using temporal separation logic, engaging the two different poles of the paradox when their respective conditions are realized (Oinonen, Rita, Jalkala, & Blomqvist, 2018; Poole & Van de Ven, 1989). We end this research note by proposing a trajectory for future research under three categories: (a) family firms’ behavior during crises, (b) a paradoxical perspective on changes at family firms, and (c) preference reversal and punctuated equilibrium models of family firm change.

2. Family firms and innovative behavior

Many family firms seem to innovate differently than non-family firms; they tend to focus on incremental innovations, rely on a relatively high number of external collaborators, and use a fairly informal, unstructured, and risk-averse process (De Massis et al., 2015; Hu & Hughes, 2020). According to Erdogan et al. (2020, p. 22), tradition is a fundamental constituent of family firms’ particular approach to innovation, with family firms pursuing their “tradition through innovation.” Furthermore, Chrisman, Chua, De Massis, Frattini, and Wright (2015) argued that family firms have a superior ability, yet a lower willingness, to engage in technological innovations. Family firms are also mostly small- and medium-sized enterprises (La Porta, Lopez-de-Silanes, & Schleifer, 1999; Schulze & Gedajlovic, 2010). This scale means that, when a crisis hits, family firms are vulnerable to the “liability of smallness” (Aldrich & Auster, 1986)—but, on the other hand, they might be more resilient, flexible, and innovative than larger firms (Belaeva, Shirokova, Wales, & Gaff, 2020).

Emerging evidence has already suggested how family firms are tackling the current pandemic crisis. In their recent study, Kraus et al. (2020) found that family firms in Germany, Austria, Switzerland, Liechtenstein, and Italy have undertaken the following measures to survive the coronavirus pandemic: (a) implementing reduced-hour working models; (b) facilitating remote work; (c) addressing coronavirus-related fears through intensive and proactive communication with their employees; (d) developing an even stronger sense of solidarity compared to non-crisis times; (e) undergoing major changes toward digitalization. These findings show that family firms pursue a wide variety of responses and changes, and these findings align with previous research that has suggested that, when family firms face challenging circumstances, they might turn from risk-averse behavior toward risk-taking; moreover, such “preference reversal” behavior might be more pronounced among family firms than non-family firms (see e.g. Chrisman & Patel, 2012; Gomez-Mejia et al., 2014).\(^2\) However, these findings do not fully explain why and how family firms’ potentially innovative crisis responses are distinct from non-family firms, nor which type of behavior would allow family firms to respond rapidly to exogenous shocks—such as the coronavirus pandemic or previous financial crises. In the following, we explore the longitudinal case of a traditional family firm that has undergone several crises, engaging multiple times in rapid shifts from risk aversion to risk-taking behavior.

3. Methodology

This research note aims to create exploratory, yet in-depth understanding of family firm innovation during crises over time. Accordingly, we followed a qualitative, interpretive tradition (Stake, 1995). We, therefore, adopted a single-case study approach (see Dyer & Wilkins, 1991; Stake, 1995), focusing on Finnboat as an interesting case to enable thick descriptions and an in-depth understanding of a firm’s innovation behavior during and beyond crises. We applied a purposeful sampling strategy (Patton, 2002) since we had an access to a suitable, unique, and particularly interesting case firm, which we knew had been exposed to multiple crises that had triggered a variety of responses.

Our case firm, labelled here Finnboat, was established in 1959 as a second-generation Finnish family firm that manufactures (a) mass-market-type smaller boats or cutters made of acrylic glass (for both leisure and everyday distances at waterfrotns; the firm’s original product line) with individual colors (offering over 200 color options) and highly customizable features and services; and (b) bus shelters and design items made of acrylic glass for the B2B sector (a product line created during the 1990s recession). In 1985, the firm’s founder passed the firm on to the next generation, three brothers, of whom one became the new CEO and the two others took on other management positions (R&D and sales and marketing, respectively). Currently, the firm is approaching its next leadership succession, but representatives of the third generation still work outside of the company, and succession planning remains in its early phases.

This study’s primary and secondary case data were collected between March 2020 and January 2021. See Table 1 for our data sources. The study’s first interviews were conducted face-to-face on the firm’s premises by a native Finnish speaker, and the final interviews, due to coronavirus-related restrictions, took place via telephone. Several “inofficial” phone calls and emails were exchanged after and between interviews to complete our understanding of the firm. Our actual interview data comprise eight one-to-two–hour interviews with Finnboat’s CEO and production manager (both family members), as well as its sales manager, head of production, and administrative manager (all of whom are outside the family). The interviewed sales manager had only a few months’ experience at Finnboat, while the production and administrative managers had worked for the company for more than 30 years. Thus, we were able to examine both family and non-family perceptions, as well as the perspectives of very long-term employees and owners in addition to a newcomer.

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\(^1\) Preference reversal is a well known concept in economics (see, e.g., Tversky et al., 1990). In this study, we use the concept at the organizational level to describe situations in which an exogenous change triggers a change in risk preferences among organizational decision-makers. We acknowledge our anonymous reviewer in pointing out this concept’s utility.

\(^2\) We thank our anonymous reviewer for directing our attention toward these findings.
To secure the anonymity of the firm, the secondary sources are not listed among the references.
Finnboat’s two owning brothers decided to focus only on smaller boat designs. The production manager explained their sudden change of strategy as follows:

We had just won several international awards for our new [large-size] boat model. But the financial crisis hit hard. We never really sold this model at all and stopped producing bigger boats overall and started focusing on our two smaller, well-selling models. Instead, we reintroduced two 1970s models as retro designs and started differentiating them by offering all the potential color options, more than 200 colors. Nobody else in the market does that.

Thus, with a willingness to briskly protect its past and ensure its future amid tremendous financial difficulties, Finnboat closed its production facilities for larger boats completely and concentrated on two more affordable boat models. The firm ended up renewing these 1970s boat models were re-introduced with a “retro design” and now with many more color options. Nobody else in the market does that.

4.3. The ongoing coronavirus pandemic: business-model and technological innovations via digitalization, internationalization, and an electronic boat that runs on solar energy

The ongoing coronavirus pandemic has caused a global health emergency, as well as a global economic slowdown that requires several adjustments from businesses. Firms are navigating a broad range of interrelated issues—from keeping their employees and customers safe, securing cash and liquidity, and reorienting operations to relying on complicated government support programs. Due to the pandemic, the world and customer behaviors are changing, requiring another crisis response. This time, the firm has been able to use its slack resources, operating debt-free and with good economic returns for several years in a row. Finnboat’s CEO explained the start of the coronavirus crisis as follows:

Well, this has been quite a shock, since our international exhibitions in Sweden were kind of interrupted in early March, and nobody finally purchased our boats there because of the coronavirus insecurity, which came to our and customers’ knowledge in the middle of the exhibition. Well, we have survived all the preceding crises, too, and new ways are sought for also this time.

After early March 2020, Finnboat thus adopted a renewal-oriented approach once again to a crisis threatening its future with instability and uncertainty. This time, the crisis-response initiative came from outside the family, from the new sales manager and administrative manager’s novel ideas about opportunities in digitalization and online channels, and the firm was able to use slack resources to renew its strategy. Accordingly, Finnboat started an intense digital renewal of its business model, aiming to digitize the whole boat purchasing process, making colors and additional parts visible to customers online—similar to the online purchase and design process for cars. This renewal process was triggered also by Finnboat’s inability to pursue an opportunity to increase customer demand for smaller boats, since people took up boating as a new spare-time activity as they were forced to stay within domestic borders due to coronavirus regulations. Because of the firm’s approach to individualized boats, maintaining stock became unprofitable. Thus, the firm changed to a leaner approach, as it manufactures a boat only after an order has been confirmed, offering a six-month delivery time. Overall, the new sales manager and administrative manager saw that the firm’s strength needed to draw heavily from digital aspects:

Everything will be digital and virtual in the future, and the crisis has sped up the development. We want to be the first one with decent digital processes. I see no other way (Administrative Manager, Finnboat).

I came to the company from car sales and said right away to the owners, “We need to be a pioneer and do the same in the boat sector” (Sales Manager, Finnboat).
Second, aiming to secure its competitiveness for decades to come, Finnboat has now decided to decrease its potential vulnerability related to mainly serving the domestic market, and it is preparing for regular export sales. As the new sales manager explained:

We have decided to create a digital, international selling base for future international resellers. We will illustrate and conceptualize our competitive advantages there, since it seems the resellers we have had for a while in the past did not understand our strategy and competitive advantages well enough. Now we want to be able to support them, really.

Thus, Finnboat is in the process of creating a clear strategy package so that it can find international resellers and support them much better than it had in its earlier export attempts and, accordingly, make regular foreign sales starting in 2021—the latest move to secure the firm’s future survival. Third, Finnboat has also decided to use the coronavirus pandemic to innovate an electronic engine that functions with solar energy. The production manager stated:

We now really want to make this work, since the use of renewable energy is the future in the boat business, too. We have launched a collaboration with XX [a Finnish university] to create a new small boat model functioning with renewable energy. […] Probably, we are the first ones to finish this, but also some competitors are working on this. It could then be implemented to our other best-selling boat models, too. […] We have decided to use some really good consultants and university researchers to do it and prepared an application to Business Finland [a Finnish governmental organization] to, hopefully, get financial support for this renewal and also the other ones I mentioned earlier from them.

Thus, the coronavirus pandemic has prompted Finnboat to launch both a business-model innovation and a technological innovation, involving major changes in how the firm interacts with customers, resellers, and the core technologies used in its products. These changes are not only necessary due to strict social-distancing measures (and related changes in customer behavior) but also in response to the increasing challenge of sustainability and responsibility and the need to expand into new markets and channels—even in a non-crisis environment.

Altogether, Finnboat has made significant strategic changes and innovations during three severe crises (see Table 2 for a summary) while focusing more, between crises, on incrementally growing and developing its current products and business models. This approach demonstrates that the family firm has been able to suddenly take productive risks when necessary, revealing a risk-aversion versus risk-taking paradox. As an outcome of the 1990s recession, Finnboat created a second backbone via its business-model innovation with a new business area. After the financial crisis in 2008–2009, Finnboat renewed its business model and value proposition by focusing on more affordable boat products, re-introducing retro designs in order to address decreased consumer purchasing power, and the firm returned to profitability as a result. During the coronavirus pandemic, Finnboat has engaged in both business-model and technology innovation; it is undergoing a process of digitalizing and internationalizing its boat sales and developing a boat with an electronic engine using solar energy, and Finnboat is among the first firms in this field. In considering how Finnboat’s managers have been able to switch their mindset so effectively during crises, we can attribute this ability to: (a) a heightened fear of bankruptcy, and (b) relatedly, a willingness to avoid bankruptcy by all means necessary in order both to cherish the firm’s life work and heritage and to guarantee one’s own job; (c) a tendency to follow the founder-father’s advice to prefer small and beautiful operations over big and ugly operations when urgency is lacking; (d) a non-expansive focus during stable periods, acting only when changes are necessary; and (e) the use of slack resources during the coronavirus pandemic (having no debt and good financial returns over the last few years).

5. Implications for family firm strategy and future research

5.1. Family firm behavior during crises: what makes them different?

Our single-case study broadly supports the behavioral agency model, which views family firms as focusing on socioemotional wealth preservation but, on the other hand, adopting more risk-taking behavior when their performance falls below aspirations (Chrisman & Patel, 2012; Gomez-Mejia et al., 2014; Munoz-Bullon et al., 2020). Therefore, our straightforward conclusion is that traditional family firms’ focus on socioemotional wealth preservation (Berrone et al., 2012; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Gomez-Mejia, Cruz, Berrone, & De Castro, 2011, 2014), related long-term vision, and patience and survivability capital (Sirmon & Hitt, 2003) can trigger innovative behavior during crises. However, by virtue of our longitudinal case, we were able to more closely investigate how such behavioral change happens, what triggers it, and which types of resources and capabilities are involved in this process for traditional family firms.

In Finnboat’s case, we witnessed how each severe crisis led to a push for major and radical business-model and technological innovation, which are known to be atypical among family firms (De Massis et al., 2016; Hu & Hughes, 2020). We find it interesting that long-standing family firms—in this case, a 61-year-old firm in its second generation—can even be ready to introduce a new business line in order to survive, which might not reflect similar non-family-firms’ immediate responses to a crisis. We believe this difference results from family firms’ particularly strong will to survive; thus, they will take any possible actions to create new opportunities in critical situations. While this belief aligns with the expectations of the behavioral agency literature (Chrisman & Patel, 2012; Gomez-Mejia et al., 2014), the magnitude of the behavioral changes that Finnboat has undertaken multiple times throughout our period of study is particularly interesting.

Our study contributes to the family firm innovation literature (see Chrisman et al., 2015; De Massis et al., 2015; Erdogan et al., 2020; Rondi et al., 2021) by illustrating how a family firm increased its competitiveness in crisis situations through a combination of tradition, innovation, and perseverance. Moreover, we identified—especially during the coronavirus pandemic—strong technological and digital innovation capabilities. Finnboat’s second-generation family leadership’s perseverance has made the firm strategically stronger after every crisis that it has faced. This characteristic could differ from many non-family firms, which often pursue the best practice of continuous innovation (Boer & Gertsen, 2003) and, in some instances, focus on survival, rather than innovation during crises (as threat-rigidity theory implies; Staw, Sandelands, & Dutton, 1981). Indeed, during periods of stability, Finnboat has mainly focused on purposefully developing slack resources, sacri- ficing financial returns, and creating socioemotional wealth; however, during the three crises it has weathered, the firm rapidly innovated the central dimensions of its business model and product portfolio by virtue of its patience and survivability capital (Sirmon & Hitt, 2003). Inter- estingly, during crises, Finnboat also seemed to innovate through tradition (Erdogan et al., 2020)—such as by re-introducing retro boat designs—a survival strategy that very few other firms could undertake, given that they do not usually have such an in-depth understanding of their original business.

While innovation during crises might work for some family firms, it might not always be the best strategy. Thus, considering what could trigger radically innovative and transformative behavior for family firms outside of or between crises is also important. This is a pressing question to which we have no direct answer. However, our case findings provide some tentative directions in response. First, if family members can be persuaded that innovations are also beneficial outside of crises, they might avoid potentially over-focusing on ensuring their family firm’s socioemotional wealth over its innovation (see Kano & Verbeke, 2018). Second, the Finnboat case shows that recruiting new people from governmental organization to, hopefully, get financial support for this
outside the family, using their experience, and listening to their ideas are beneficial moves. Family firms would benefit from constantly organizing interactions with outside actors, encouraging all staff members to participate while not being afraid to give some power to individuals outside of the family. This process is especially essential when a family generation is approaching retirement age, as is the case in digital transformation for many family firms (including Finnboat’s case). Indeed, Kraiczky, Hack, and Kellermanns (2014) have suggested that family firms could utilize their strong social capital to recognize new opportunities from their networks. Yet, on the other hand, too dense ties have been regarded as a constraint for family firms’ innovation (Chirico & Salvato, 2014; see also Hu & Hughes, 2020). Third, family firms would also benefit from taking advantage of government-supported strategic renewals more (Doh & Kim, 2014), given that several countries are offering strategic renewal money during crises. Such funding could act as a springboard to innovation when the use of the family firm’s own money alone is not desirable.

5.2. Innovation as family firm crisis response: a preference reversal logic

Based on our findings, we argue that family firms equipped with a long-term view might be more ready to take short-term risks during shorter and critical periods. Our findings imply a preference reversal logic to family firms’ long-term strategic behavior, corresponding to the behavioral change that takes place in risk preferences when family firms’ performance falls below aspirations (Chrisman & Patel, 2012; Gomez-Mejia et al., 2014; Muñoz-Bullón et al., 2020). Preference reversal has been widely studied in the economic and decision literatures (see, e.g., Tversky, Slotvich, & Kahneman, 1990), and examining how preferences change is, indeed, an important avenue for both family business and management scholars at large. For family firms, preference reversal implies a logic of organizational evolution in which calm periods facilitate stability and risk-aversion while externally triggered crises periods facilitate innovation and exploration. While the existing literature has demonstrated the causal relationship between inferior performance and the change of risk preference (i.e., preference reversal) in family business (Chrisman & Patel, 2012), our study further demonstrates that family firms can be well-placed to reap long-term rewards by radical product and business model innovation when, especially given the crisis context.

Furthermore, the identified change model resonates with the episodic paradigm (as opposed to the continuous paradigm) of organizational change, in which organizational change happens in particular moments, after which the change is “frozen” (Weick & Quinn, 1999). As recent studies on family firm innovation have shown, crises can be seen as catalysts for family firms’ innovativeness and proactiveness (Muñoz-Bullón et al., 2020), while their innovations between crises often relate to very modest and, hence, mostly latent fine-tuning of their models (Dąbrowska, Lopez-Vega, & Ritala, 2019; De Massis et al., 2015). We add to this literature by providing a long-term view of how multiple crises—which are perceived as exogenous shocks—might trigger a series of renewal episodes among otherwise rather stable family firms, acting as critical junctures for business-model and technology innovation. In effect, we have shown how family firms combine stability and change (Farjoun, 2010) in conjunction with external contingencies. This long-term interplay between stability and change deserves more attention from family firm scholars and practitioners in the future.

We recognize an inherent behavioral paradox between risk-aversion and risk-taking, which are both necessary for a family firm to fulfill its goals of socioemotional wealth preservation (Gomez-Mejia et al., 2014). In our study, we found that this paradox is managed mostly via temporal separation logic (Oinonen et al., 2018; Poole & Van de Ven, 1989), in which one pole of this paradox is engaged at a particular moment, while the other pole is engaged sequentially. An exogenously originated preference reversal logic implies that managing such a paradox can fit the rhythm of external circumstances. Yet, we believe major differences distinguish firms’ abilities to actually adapt to this rhythm, unlocking resources and risk-preference when the time is right. While we know major crises often lead to rigidity (Staw et al., 1981), as well as a reduction in innovation (Archibugi, Filippetti, & Frenz, 2013; McKinley et al., 2014), our results suggest that certain organizational features—particularly features typical to traditional family firms—could help turn stability into strength and long-term orientation into fast renewal. Our findings show that a family firm can explore new opportunities as a crisis response strategy (see also McNamara & Baden-Fuller, 1999; Östevyksy, Shirokova, & Ritala, 2020); however, this approach requires family firms to quickly break their ongoing path-dependency and unlock the available resources for exploration. Path-breaking changes are extremely challenging due to organizational rigidity (Dąbrowska et al., 2019; Leonard-Barton, 1992) and, as we have argued, might require added managerial motivation linked to socioemotional wealth preservation.

However, as an innovation strategy, innovation only during crises might not be sustainable, either. Crises are most often exogenous shocks, and they could be separated by prolonged periods of calm. In such instances, family firms might risk becoming rigid in their routines and structures (Dąbrowska et al., 2019). Therefore, family firm scholars should further seek to understand how family firms could deliberately cause “endogenous shocks” in their innovation trajectories and pursue organizational change that is continuous, rather than episodic (Weick & Quinn, 1999). Such endogenous change would refer to another logic that differs from preference reversal—that is, punctuated equilibrium logic. Punctuated equilibrium refers to an organizational evolution in which change happens deliberately in abrupt, sudden jolts while, between these periods, change is only incremental (Gersick, 1991; Romanelli & Tushman, 1994). Family firms’ capabilities in more endogenous behavioral changes would mean acting against the behavioral agency model (Chrisman & Patel, 2012), which would imply a focus on risk aversion during stable periods. How to break from such behavioral patterns remains an interesting question for future research.

6. Conclusion and future research agenda

Our study has demonstrated that a long-term horizon can become very beneficial during crises, such as the coronavirus pandemic that we are currently facing, allowing family firms to unlock their innovation potential. When the world slows down, resources saved during stable periods—even if they curb some potential R&D and innovation efforts—allow firms to use a crisis in order to innovate instead of freezing in the face of financial problems. This response might seem like a “non-growth-oriented strategy,” but ultimately, it will provide a foundation for risk-taking under turbulence, as well as psychological and emotional safety regarding the firm’s future. The results of our case study have provided evidence of one traditional family firm, Finnboat, that has used three crises to strategically renew itself via business-model and technology innovation. To further build on our results, we call for a more academic and practical inquiry into opportunity sector for family firms, small- and medium-sized enterprises, and other firms to combat future crises as substantial or disruptive as the pandemic we are facing right now. In Table 3, we have outlined a brief future research agenda, based on our findings and related implications.

In particular, we emphasize three research trajectories to better understand family firm behavior and changes during crises. First, in relation to family firm behavior during crises, we suggest that researchers investigate the role of bifurcation bias—the dichotomy between economic and non-economic goal orientations within family firms (Kano & Verbeke, 2018; Verbeke & Kano, 2012)—more in-depth in order to understand which types of family firms put economic or non-economic thinking first during crises, as well as how and why they do so. A further exploration of the sources of innovative opportunities for family firms during crises—the extent to which such opportunities relate to tradition (De Massis et al., 2016; Erdogan et al., 2020) or else derive
from family and non-family members within a firm—or even outside of a firm—also merits attention (on the role of internal and external R&D, see also Muñoz-Bullón et al., 2020). Further, exploring how and why crises trigger family firm innovation (Dabrowska et al., 2019; Kraus et al., 2020) versus leading to stagnation (Staw et al., 1981) would enable a more in-depth understanding of which types of family firms end up surviving crises and which ones will suffer or even perish. A related question is the examination of what triggers family firm explorative and exploitative behavior under crises, and what are the economic and other outcomes of such behavior (Osiyevsky et al., 2020).

Second, based on our findings, we advocate for adopting a paradox perspective to family firm change. The behavioral tendency toward risk aversion (Gomes-Mejia et al., 2014) represents a paradoxical tension that requires the pursuit of risk and innovation during crises (or in other situations). The literature on paradoxical tensions and paradox management (Poole & Van de Ven, 1989; Schad, Lewis, Raisch, & Smith, 2016; Smith & Lewis, 2011) has suggested that paradoxical tensions can become a burden for organizations if they are not managed or attended to. While, in Finnboat’s case, we witnessed a ”temporal separation” logic (Oinonen et al., 2018; Poole & Van de Ven, 1989) in terms of risk aversion and risk preference over time, an examination of other ways to manage this paradox in the context of family firm changes would be interesting. This examination should include, for example, accommodation (in which a paradoxical situation is approached simultaneously from both angles) or spatial separation (in which, for example, different units are used to deal with opposing demands; also known as structural ambidexterity; Andriopoulos & Lewis, 2009). Indeed, recent research has shown how a traditional family firm can deal with simultaneous needs for exploration and exploitation via engaging in different ambidextrous organizing solutions (Dabrowska et al., 2019).

Third, our findings invite further studies of preference reversal and punctuated equilibrium models of change. While the preference reversal logic found in Finnboat’s case describes a well-recognized approach to family business risk-taking and innovation (Chrisman & Patel, 2012; Gomez-Mejia et al., 2014; Muñoz-Bullón et al., 2020), examining further the conditions for both exogenous and endogenous changes in the family firm context would be interesting. In this regard, our results provide tentative evidence also towards punctuated equilibrium model, in which organizational change happens deliberately in sudden, disruptive jolts (Gersick, 1991; Romanelli & Tushman, 1994). In fact, while we witnessed our case firm following a preference reversal in terms of its innovation activities under crises (i.e., the aspiration for innovation strengthened due to change in external circumstances), we also witnessed a punctuated equilibrium logic regarding the management of its resource portfolio. During a stable time, our case firm deliberately cumulated slack resources which they could not find productive uses to. These slack included mainly financial resources, but we believe this also relates to accumulated intangible resources such as relational capital with key stakeholders.

During the crises, resource slack was put to productive use, and helped to back up the innovative efforts that were triggered by the exogenous shock. Recently, Muñoz-Bullón et al. (2020) demonstrated that the management of family firm resource portfolio (as opposed to nonfamily firms) can make a difference in translating internal and external innovation efforts towards innovation outcomes. Our findings provide further evidence on the resource management aspect by showing that family firms might be well placed to accumulate slack resources during stable times, eventually unleashing those resources in a time of need. We believe that the reason for such behavior results due to the strong family control in the firm that reduces external stakeholder pressures towards the immediate utilization of those resources (Sirmon & Hitt, 2003), as opposed to e.g. firms where there are outside investor pressures to cash out or invest any excessive financial resources. However, corroborating or challenging this finding and interpretation calls for further studies. In fact, based on our findings, we believe that preference reversal and punctuated equilibrium models of change in family firm behavior during crises.
firms are both plausible behavioral strategies, and might well exist simultaneously for different aspects (e.g. innovation behavior and resource management), or take place in different phases of family firm lifecycle. What remains open is whether and to which extent different family firms are developing slack resources, and how readily they can put those to use under crises, or during a stable period in order to instigate rapid change to their operations or to shake up the markets. Overall, to examine these and related questions we call for more longitudinal and in-depth research focusing on both exogenously and endogenously-triggered family firm change.

Author statement

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