Journal of Contemporary Research in Business Administration and Economic Sciences (JCR-BAES)

ISSN: 2777-739
www.jcrbaes.press

Volume: **1**
Issue: 3
2022

Article type:
Research paper

Received:
September 20**21**

Accepted:
December 20**21**

Levers of family firms' resilience in times of crisis

Sami BASLY[1]

1- Université Paris Nanterre, France

Corresponding Author: Sami BASLY

DOI: 10.52856/jcr311280128

Abstract

Although the academic literature argues that family firms are more resilient than non-family firms, the reasons for this presumed superiority are still not clearly identified. In addition, while family firms are a significant component of the economic landscape, research has evidenced variations in this organizational form such that some family firms seem to be more resilient than others. The following reflection will seek to provide some elements of analysis of the resilience of these companies in times of crisis.

Keywords: Resilience, values, absorption, renewal, learning, family firms, crisis

Generally, resilience is observed in a traumatic context (Nuttman-Shwartz, 2015). For Lengnick-Hall and Beck (2005), organizational resilience is about the ability of a firm to absorb, respond to, and take advantage of events that have occurred as a result of changes in the environment. It is a particular form of adaptation, or a transitory deformation of an organization confronted with a sudden, unexpected and often violent event. Surprisingly, despite the large amount of research on the continuity of family businesses, a limited number of studies have focused on resilience, which is considered as a major lever for the longevity of these businesses. Existing research has highlighted the role of the family's unity as a pillar of continuity, the importance of growth and innovation-oriented management, and the key role of resources in maintaining the family business over the long term. As a fundamental pillar of the economic fabric, family businesses, like all others, are impacted by the current crisis, but their unique characteristics can reveal some interesting lessons. Often criticized for their immobility and rigidity, which in some respects are obstacles to growth, research shows that the much-discussed prudence of family businesses guarantees great stability and an enviable robustness in times of turbulence. Favoring a long-term vision, these companies not only manage to cushion the shocks of environmental turbulence, but they are also predisposed to overcome difficulties and failures thanks to their innovativeness and responsiveness. The resilience of this type of organization has been largely highlighted in economic news and in academic research. In particular, the literature on family firms has highlighted the better performance of family firms compared to non-family firms, especially in times of crisis (Amann and Jaussaud, 2012). Therefore, the resilience of family firms is considered a major capability that allows them to weather difficult times and be sustainable (Miller and Le Breton-Miller, 2006).

For Chrisman et al. (2011), among other factors, the resilience of family firms appears to be a function of how they respond to the need to infuse managerial talent in the firm without losing control, to the need to balance economic and noneconomic goals over varying time frames, to the need to use their unique governance systems to innovate, and to the need to extract maximum value from the social capital that exists among family members. For their part, Bauweraerts and Colot (2014) argue that the pursuit of emotional goals, greater operational flexibility and better availability of resources within family firms have a positive influence on their capacity for absorption and renewal, and hence their potential for resilience. Family business research shows that the search for the company's durability, and its transfer within the family are amongst the main factors of robustness of family businesses. This multigenerational durability, which notably generates multi-centennial family groups, cannot be achieved without an entrepreneurial spirit and a desire for creation and renewal that transcends generations. Perhaps, family businesses move forward cautiously, but they have solid assets that allow them to achieve sustainable strategic regeneration. The current crisis can be favorable to them and, once its negative effects have been absorbed, allow them to take advantage of numerous opportunities.

Business resilience particularly requires the ability to step back from stressful or traumatic events, to put things into perspective, and to learn from successes as well as failures and difficulties. In a context of difficulties or crisis, it is imperative to keep a cool head in order not only to resist the shock and to absorb its damaging consequences, but also to be clear-headed - despite the emotional shock a person or an organization may experience - in order to understand the event experienced and to perceive the key lessons useful for the future. Family business owners are first and foremost social groups where support and solidarity are crucial assets in times of crisis. But, above all, these groups are the ideal

place of information and knowledge exchange and, more importantly, of tacit learning through the socialization of individuals. Because family relations and interactions - through family reunions, family shareholder meetings or management team meetings - allow for drawing consequences from crises and the capitalization of acquired experience, it is reasonable that these individual and organizational learning mechanisms play a significant role in building the capacity of a family firm to be resilient. Beyond purely economic considerations, an owning family in a family business plays on its reputation and thus seeks to maintain a business that is not only well-known but also respectable to customers, employees and the community at large. The process of identification with the firm, which is built from the foundation of the firm and continues through the generations, influences many organizational processes, including the learning process adopted by the organization.

But above all, for family businesses, resilience is a question of values such as solidarity, support, community or patience. Therefore, families in business are encouraged to make explicit the values that underlie their business operations in order to facilitate their communication to organizational members and to obtain strong support for common goals. As many of these values are the source of greater resilience in difficult times, owner-managers are called to display and mobilize them to obtain the support of employees. In a context of crisis, more than an ability to deploy strategic resources, family business owner-managers are called upon to effectively mobilize their troops by appealing to a common spirit based on shared values and beliefs. Organizational values also help uniting the interests of the owning family members and ensure their enduring commitment to the family business. In addition, owner-managers know how to often count on the unwavering support of family shareholders and the extended family sphere to bounce back from difficult times.

"Resilience" is the motto in the current uncertain times. Family businesses, through their active and committed family and non-family members, their resources and above all their values of solidarity, sacrifice and continuity, have the assets required to ensure their resilience and contribute to reinventing a new world. As explained by Danes (2006), in family firms, resilience is the owning family's use of an ability to adjust resource and interpersonal processes to change. Therefore, a resilient family is likely to support a resilient firm and, conversely, the failure of a family firm during or following a crisis can be partly due to the fragility, the lack of cohesion and the absence of support of the family shareholder.

References

Amann, B. & Jaussaud, J. (2012). Family and non-family business resilience in an economic downturn. *Asia Pacific Business Review*, DOI: 10.1080/13602381.2010.537057

Bauweraerts, J. and Colot O. (2014). La Résilience organisationnelle au sein des entreprises familiales : Mythe Ou Réalité ? *Recherches En Sciences de Gestion* 101(2):197.

Chrisman, J. J., Chua, J. H., and Steier, L. P. (2011). Resilience of family firms: An introduction. *Entrepreneurship Theory and Practice*, 35: 1107–1119.

Danes, S. M. (2006). Tensions within family business-owning couples over time. *Stress, Trauma, and Crisis*, 9(3–4):227–46.

Lengnick-Hall, C. A. and Beck, T. E. (2005). Adaptive fit versus robust transformation: How organizations respond to environmental change. *Journal of Management*, 31: 738–757.

Miller, D. & Le Breton Miller, I. (2006), Family Governance and Firm Performance: Agency, Stewardship, and Capabilities, *Family Business Review*, Vol. 19, No. 1, pp. 73-87 .

Nuttman-Shwartz O. (2015). Shared Resilience in a Traumatic Reality: A New Concept for Trauma Workers Exposed Personally and Professionally to

Collective Disaster. *Trauma, Violence, & Abuse*. 2015;16(4):466-475. doi:10.1177/1524838014557287.