What are the characteristics of a family business that help cope with the current COVID-19 crisis?

Resilience of Family Business

**Better With Age**

<table>
<thead>
<tr>
<th>AGE</th>
<th>FAMILY BUSINESSES</th>
<th>NON-FAMILY BUSINESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-30 years old (1st generation)</td>
<td>48%</td>
<td>60%</td>
</tr>
<tr>
<td>30-60 years old (2nd generation)</td>
<td>38%</td>
<td>29%</td>
</tr>
<tr>
<td>60-90 years old (3rd generation)</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>90+ years old (4th and subsequent generations)</td>
<td>5%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Adapted from *Empresa familiar: ni tan pequeña, ni tan joven* by Josep Tapies
Resilience of Family Business

Advantages of Family Business in Coping with Crisis

• **Shared Identity and Values**
  • Cohesive corporate culture

• **Family Control**
  • Centralized decision making, Adaptability and responsiveness

• **Long-term Orientation**
  • Diversification
  • Cautious financial management

• **Social Capital**
  • Long-term relationship with various stakeholders, Corporate social responsibility
Family Business

Peculiarities in coping with crises

• Tradition
  • Innovating through tradition
  • Recency Bias

• Family-enterprise identification
  • Psychological and Social aspects

• Employer-employee relationship
  • Loyalty increases in times of crisis

What are the Characteristics that give EM MNEs a Competitive Edge in Coping with Global Crises?

Many emerging market family businesses (EMMNEs) possess capabilities that help them respond to global crises effectively (references below). Among these are:

• Prior experience in navigating through the institutional voids at home which gives them the competence and the confidence with which to respond to crises, and,

• Top management mindsets that embrace humility, tolerance for ambiguity; frugality; and an ability to convert “liabilities of foreignness” into “assets of emergingness”.
What are the unique challenges for a family business during the current COVID-19 crisis?

How can a family business convert these challenges into opportunities?

When the financial crisis rocked the business world in 2007-2009, boardrooms turned to corporate finance chiefs. A good CFO could save a company; a bad one might bury it. The covid-19 pandemic presents a different challenge --- and highlights the role of another corporate function, often unfairly dismissed as soft. Never before have more firms needed a hard headed HR boss.
Challenges of Family Business in Coping with Crisis

• Search and Retain Talents
  • Lack of job security, career ceiling
  • Trust issue with professional managers

• Overly Cohesive Could be Detrimental
  • Lack of diversity

• Lack of Transparency

Family Business Challenges and Opportunities

• Tradition
  • Innovating through tradition
  • Ability $\nRightarrow$ Willingness paradox

• Technology and Digitization
  • Technological Boost

• Financial Fragility
  • Family wealth
What are the unique liabilities that EM MNEs face in coping with global crises?

EMMNEs also possess liabilities that diminish their crisis response effectiveness:

- Slower pace in transferring crisis management knowledge from subsidiaries to HQ or vice versa and transforming this knowledge for more effective response agility;
- Inefficiencies in absorbing, internalizing and diffusing crisis management knowledge across their networks;
- Inefficiencies in re-configuring their organizations to heighten their response capabilities

These often slow EMMNEs’ crisis response agility, time, and navigation flexibility.

What are the roles of organizational culture or country culture in shaping family business strategy moving forward?
Moving Forward

• Culture of Open Communication

• Keep Renewing
  • Act with speed, boldness and originality
  • Empower the top management team, tolerate “intelligent failure”

Source: Nifadkar, Wu, & Gu, Personnel Psychology, 2019
Moving Forward

• Culture of Open Communication

• Keep Renewing
  • Act with speed, boldness and originality
  • Empower the top management team, tolerate “intelligent failure”

• Building a Strong Board
  • Board diversity, Female involvement
  • Family leaders need to learn to “unlearn”

Role of Female Leader

Source: Samara, Jamali, Lapeira, BH, 2019
Role of Female Leader

Mother Occupies Uniplex Third Position by Limiting Her Involvement to a Single Domain

- Founder
- Successor
- Firm
- Family
- Son
- Father
- Mother

Mother Leaves Uniplex Third Position by Engaging in Multiple Domains

- Founder
- Successor
- Firm
- Family
- Son
- Father
- Mother

Mom, tell Dad to stop bothering me!

Source: Li & Piezunka, ASQ, 2019

Family Business
Challenges and Opportunities

- Production line conversion
  - Agility in responding to external environment stimuli

- Technology and Digitization
  - Key lessons

- Sustainability and Circular Economy
  - Upcoming trends
M&As provide one mechanism through which EMMNEs respond to crises. These give EMMNEs faster response capabilities and fluidity in their responses. M&As of EMMNEs do this through:

- More effective response capabilities through resource sharing that broadens their response types and accelerates their response time and cycles.

- Social communities which foster social integration and mutual adaptation capabilities.

- Simultaneously activating exploration and exploitation capacities, which results in combined energies, diverse mindsets, and versatile response approaches that accelerate response types and agility.
References


