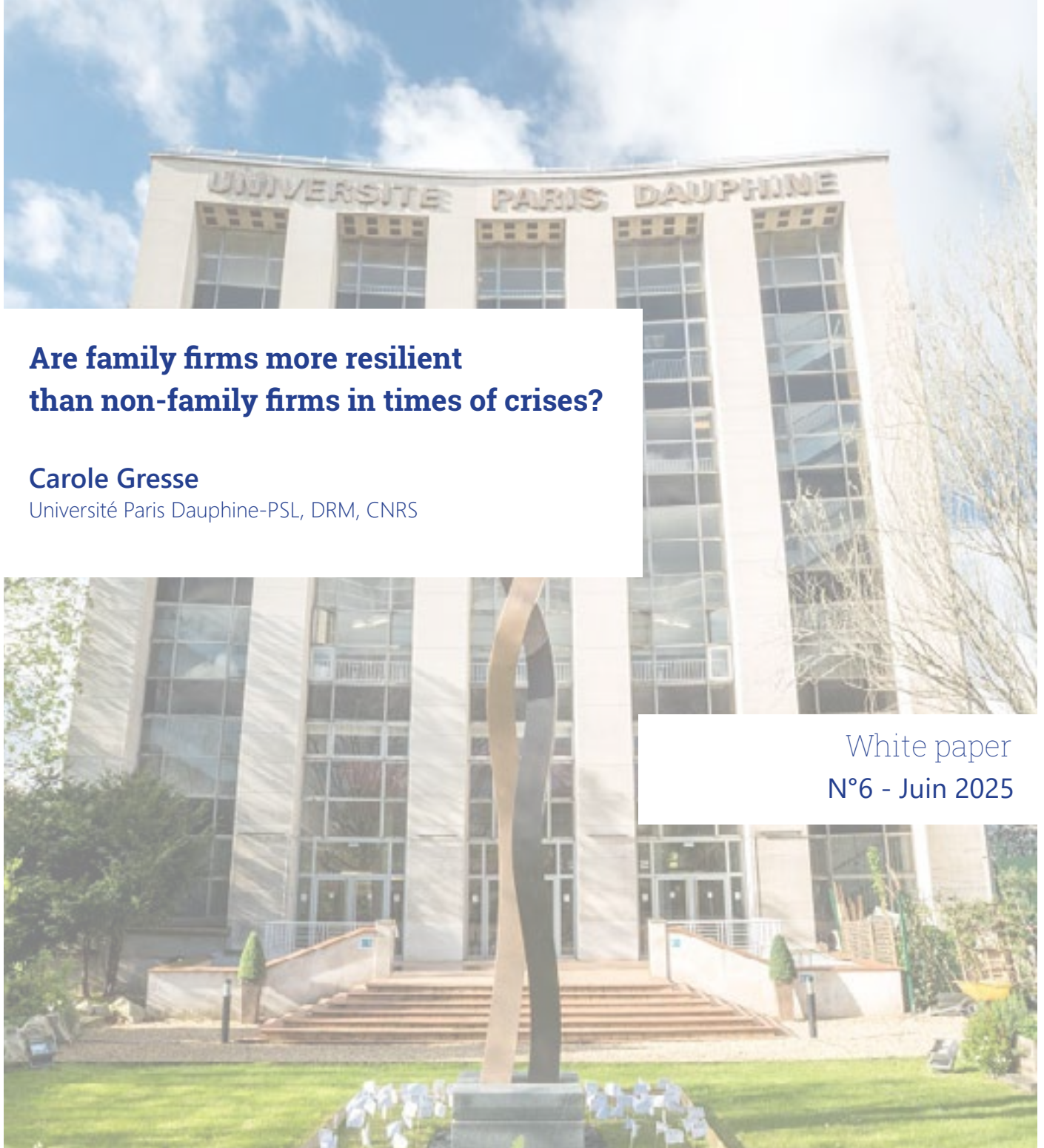




Are family firms more resilient than non-family firms in times of crises?

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Abstract

A widely accepted view is that family firms are more resilient to crises than non-family firms, thanks to their greater flexibility in decision-making, long-term investment perspective, strong trust-based relationships with employees, and robust internal social and patient capital. This paper offers a comprehensive, up-to-date review of the academic literature on this topic. It examines key findings from studies on the 2008 global financial crisis and the COVID-19 crisis, identifies the factors cited in the literature as drivers of family firms' superior resilience, and concludes by highlighting open questions for future research.

Keywords: Family firms, financial resilience, social capital, patient capital, agency costs

1. Introduction

The prevailing view is that, during periods of crisis, family firms outperform in terms of financial, trade, and economic performance. Moreover, when it comes to longevity, family businesses exhibit the highest life expectancy worldwide (Miller and Le Breton-Miller, 2005). This resilience can be attributed to specific characteristics such as family ownership and control, strong identification of family members with the organization, multigenerational involvement, and the extensive social networks of business families. These factors are likely to create a competitive advantage (e.g., Anderson and Reeb, 2003; Blondel, 2012; Calabrò et al., 2020; Miller and Le Breton-Miller, 2005), enabling family firms to navigate challenging times more effectively. Furthermore, agency theory suggests that when family members actively participate in management, the overlap between ownership and control can help reduce agency costs (Jensen and Meckling, 1976), a benefit that may become even more pronounced in periods of economic difficulty.

However, an opposing view suggests that during periods of disruption, conflicts may arise between the personal interests of the business family and those of external shareholders. Family shareholders might prioritize maximizing the family's wealth at the expense of other stakeholders, leading to a principal-principal conflict, as described by agency theory. This issue is particularly prevalent in publicly traded family firms where the founder is no longer involved. In times of crisis, such conflicts of interest can intensify. Indeed, business families may take actions aimed at preserving control, even at the expense of minority shareholders, ultimately reducing firm value (Lins et al., 2003). Furthermore, due to their long-term orientation, family owners often seek to shield employees from the negative consequences of economic downturns (Ellul et al., 2018; Sraer and Thesmar, 2007; Bjuggren, 2015), resulting in lower dismissal rates (Bassanini et al., 2013).

While this may explain why some family firms demonstrated higher labor productivity during the COVID-19 crisis (Amore et al., 2022), a lower tendency to adjust labor in response to economic shocks can also be a competitive disadvantage compared to other firms (Alfaro et al., 2020). Finally, unlike managers recruited from the open labor market, family managers are typically selected from a more limited talent pool (Perez-Gonzalez, 2006; Mehrotra et al., 2013). As a result, they may be less equipped to implement complex but necessary organizational changes to navigate a crisis effectively.

Over the past decades, the world has experienced two severe global economic crises, which have unfortunately placed many economic actors in distress. However, from an academic perspective, these crises have provided valuable opportunities to investigate which of the two previously mentioned opposing views aligns more closely with reality. A growing body of empirical research has explored this question, seeking to determine whether family firms demonstrate greater resilience than their non-family counterparts during economically challenging times. While not all studies reach the same conclusion, most provide evidence supporting the idea that family firms are indeed more resilient. This paper reviews the existing literature with the following structure: Section 2 examines the empirical evidence supporting the greater resilience of family firms; Section 3 presents the main study suggesting that family firms underperform in difficult times and explores possible explanations for these divergent findings; Section 4 identifies the key factors contributing to the resilience of family firms; and Section 5 concludes.

2. Evidence supporting the greater resilience of family firms

For a long time, academic literature on the resilience of family firms remained scarce, as most research on their relative performance focused primarily on standard market conditions. However, in the 2010s and 2020s, several academic studies (Bauweraerts, 2013; Minichilli et al., 2016; Zhou et al., 2017; Amore et al., 2022) began examining the financial performance of family firms compared to non-family firms under challenging market conditions. These studies analyzed two major global crises – the 2008 Global Financial Crisis (GFC) and the COVID-19 pandemic – and found empirical evidence supporting the greater resilience of family firms. Key insights from these crises include: (1) family firms demonstrate greater resilience than non-family firms during severe economic downturns (Bauweraerts, 2013; Amore et al., 2022); (2) this resilience is particularly pronounced in firms where the founder remains actively involved (Zhou et al., 2017); (3) the superior resilience of family firms extends beyond severe crises and is also evident in steady-state market conditions (Minichilli et al., 2016).

2.1. Evidence supporting the greater resilience of family firms in times of severe crisis

Over the past two decades, both the 2008 GFC and the COVID-19 crisis have caused significant turbulence for businesses of all sizes worldwide. The 2008 GFC, which originated in the collapse of the U.S. asset-backed securities market in 2007–2008, quickly spread to the real economy, leading to severe consequences in 2009-2010. Similarly, the COVID-19 pandemic had its most devastating economic impact in 2020. These two crises have provided valuable insights into the superior resilience of family firms.

2.1.1. Lessons from the 2008 GFC

Bauweraerts (2013) investigates the impact of the 2008 GFC on the relation between family involvement and the economic performance of family firms. His study is based on panel data collected over the period 2002-2011 for 219 Belgian private firms, including 112 family firms and 107 non-family firms. A firm is classified as a family business if it meets at least two of the following criteria:

- a family owns at least 50% of the firm's shares;
- management is primarily exercised by a family;
- the majority of the board consists of family members.

Non-family firms were selected to ensure comparability in terms of industry and size. A multiple panel regression analysis was conducted to assess how the crisis influenced the relation between family involvement and firm performance. To address issues of reverse causality and self-selection bias, the Heckman (1979) two-step method was applied. Firm performance was measured by Operating Return On Assets (OROA), i.e., EBIT divided by total assets. Family involvement was represented by a dummy variable identifying family firms. The crisis period was captured using a dummy variable equal to one for the years 2008, 2009, and 2010.

Using this methodology, Bauweraerts (2013) finds a positive link between family involvement and firm performance, regardless of the crisis. This result aligns with the earlier findings of Anderson and Reeb (2003) and Maury (2006) for publicly traded firms. More importantly for our topic, this positive link is found to strengthen during the crisis years. Bauweraerts (2013) therefore concludes that private family firms exhibit greater resilience than private non-family firms in times of crisis.

2.1.2. Lessons from the COVID crisis

Another economic crisis that served as a natural experiment for testing the relative resilience of family firms is the COVID-19 pandemic. In the spring of 2020, when the COVID-19 virus became a global health threat and governments of major economies imposed lockdowns, many companies worldwide faced severe financial constraints, supply chain disruptions, and challenges in maintaining their operations. Amore et al. (2022) leveraged this period to compare the financial resilience of publicly listed family and non-family firms in Italy. Studying an Italian sample in this context is particularly relevant for two reasons: first, Italy was the first Western country to be severely affected by the pandemic and to implement lockdown measures; second, family ownership is widespread in Italy.

Amore et al. (2022) use a sample of 356 publicly listed firms, of which 236 are classified as family firms. A firm is classified as family-controlled if a family directly or indirectly owns at least 25% of its equity shares. The financial performance of these firms during the pandemic crisis is measured by using two types of indicators: CAPM-adjusted returns and the ratio of net profits to total assets (ROA). They employ three empirical analyses: (1) a cross-sectional analysis of cumulative abnormal returns (CARs) from early January to April 2020, (2) a difference-in-differences analysis of daily abnormal returns for the entire year of 2020, and (3) a cross-sectional analysis of ROA.

The results of this empirical study indicate that the cumulative abnormal returns (CARs) of family firms were significantly higher than those of non-family firms both in the spring of 2020 and over the entire course of the year. The outperformance of family firms is evident in both the cross-sectional analysis and the difference-in-differences analysis of CARs. When examining ownership and governance attributes, Amore et al. (2020) find that family firms experienced higher

returns when they did not have large minority shareholders and when multiple family members were involved in the firm's ownership. Furthermore, they demonstrate that family firms outperformed primarily in labor-intensive industries. Amore et al. (2020) interpret this finding as a result of the long-term orientation of family firms and their closer relationship with employees, which contributed to higher labor productivity during the COVID-19 pandemic. Consistent with this explanation, they find that family firms had higher ROA throughout 2020. Family firms generated more revenue relative to their assets and exhibited higher revenue growth than non-family firms, although there were no significant differences in their investment and financing policies.

2.2. The superior resilience of founder-led firms

Zhou et al. (2017), using a dataset of non-financial firms from the S&P 500 during the period 2006-2010, find results similar to those of Bauweraerts (2013) and consistently conclude that family firms exhibited superior resilience during the GFC. A key contribution of their research is to show that this superior resilience was driven by the subset of family firms where the founder was still actively involved. The OROA of founder-led family firms was significantly higher by 17% than that of non-family firms during the crisis. Founder-led family firms outperformed financially because they avoided the pitfall of overinvesting in an attempt to boost weak short-term earnings.

These findings are based on a sample of 394 firms, 120 of which were identified as family firms. The definition of family firms applied in the study encompasses the following four types of firms:

- 1) founder firms, defined as firms where the founder (s) holds (hold) a position (positions) as a board member, CEO, or blockholder,¹
- 2) heir firms, defined as firms in which the heir (s), by blood or marriage, holds (hold) a position (positions) as a board member, CEO, or blockholder,
- 3) family-owned firms, defined as firms in which one or more members from the same family hold more than 10% of the outstanding shares, either directly or indirectly,²
- 4) leader/owner firms, defined as firms in which the CEO or a board member is simultaneously a blockholder.

Firm performance is measured by the OROA, calculated as earnings before interest and taxes (EBIT) divided by the book value of total assets. The performance difference between family and non-family firms is analyzed using panel regressions of OROA, which test three variables of interest: a dummy variable that equals one for family firms, a dummy variable that equals one when the fiscal year is 2009 or 2010, and a dummy identifying founder firms. The potential endogeneity of the founder-firm status is addressed in two ways: using a Heckman two-step procedure and a propensity score matching approach.

¹ A blockholder is defined as a shareholder with an ownership stake of at least 5%.

² Indirectly means through another family firm or fund that the family controls or owns.

2.3 The superior resilience of family firms in steady-state market conditions

As with Bauweraerts (2013) and Zhou et al. (2017), Minichilli et al. (2016) view the subprime GFC as a unique exogenous shock that provides an opportunity to investigate the financial resilience of family-controlled firms. However, rather than analyzing the relative resilience of family firms at the peak of the crisis, when economic distress is most severe, they focus on resilience in a steady-state economy during the immediate post-crisis period. Examining the entire population of Italian industrial family and non-family publicly listed companies from 2002 to 2012, they find that family-controlled firms significantly outperformed their non-family counterparts in the years immediately following the 2008 GFC, specifically from 2010 to 2012. Another distinctive feature of their study is their examination of the impact of having a family member as CEO during the economic downturn. They find that, among family firms, those headed by a family CEO performed better during the crisis. Furthermore, family CEOs tend to perform better on average when family ownership is concentrated, although this trend reverses in times of economic distress. In other words, in poor economic conditions, the most resilient firms are family firms with a family CEO and less concentrated family ownership.

These findings are based on a sample of 219 non-financial listed Italian companies from 2002 to 2012. Financial performance is measured using both return on assets (ROA) and return on equity (ROE). A firm is classified as family-controlled if 25% or more of the ownership is held by one or two controlling families, as defined in Miller et al. (2013). The steady-state period analyzed spans three years, from 2010 to 2012. A family firm is considered to have a family CEO when top executives are related by blood or marriage to the owning family. Family ownership concentration is measured by using a Herfindahl index that reflects the concentration of ownership among the major family shareholders. As in other studies, the empirical methodology includes panel

regressions with year-firm observations, accompanied by a Heckman correction to address potential endogeneity issues.

3. Evidence of costly family control in times of crisis

Lins et al. (2013) challenges the research reviewed in the previous section. In this study, the authors examine whether and how family control affects firm valuation and corporate decisions in times of crisis, using the 2008 GFC as an exogenous financial shock that moves out of equilibrium all firms, in a way that magnifies both the benefits and costs of family control. In terms of potential benefits, a family may add value during periods of financial liquidity scarcity by facilitating greater access to funds through other firms under its control. However, in terms of costs, family firms may exhibit a bias toward survival-driven actions aimed at preserving the family's benefits, often at the expense of outside shareholders. Of these two hypotheses, their findings support the latter.

3.1. Lins et al. 's (2013) sample, family control identification, and methodology

Lins et al. (2013) use a sample of 8,584 non-financial listed firms from 35 countries outside the U.S. They classify a firm as family-controlled if it has an ultimate controlling blockholder who is a family. To identify this, they utilize the Osiris database and set the threshold for defining a blockholder at 25% of the voting rights. Consequently, a firm is considered family-controlled if a family, either directly or indirectly, owns at least 25% of the voting shares.

Using this 25% threshold, Lins et al. (2013) categorize firms into three groups: (1) widely-held firms, which have either no blockholder or multiple blockholders, (2) firms ultimately controlled by a family, and (3) firms controlled by a non-family entity. While the majority of firms in their sample are widely-held (64%), 25% are controlled by non-family entities, and 11% are family-controlled.

For each of these three categories, performance is measured by the stock return during the crisis period, defined as the buy-and-hold stock return from mid-August 2008 to mid-March 2009. Crisis-period returns are regressed on ownership-control-type dummies, along with a set of controls that includes firm size, leverage, short-term borrowing, beta, momentum, stock market liquidity, MSCI inclusion, free-float, cross-listing, cash holdings, and book-to-market. The cross-sectional regression is conducted with sector and country fixed effects.

3.2. Lins et al. 's (2013) findings and interpretations

According to the main regression of the paper, family-controlled firms underperform widely-held firms during the crisis, while non-family-controlled firms outperform them. Specifically, family-controlled firms have crisis-period returns that are 1.7 percentage points lower than those of widely-held firms, whereas non-family-controlled firms achieve returns that are 2.3 percentage points higher.

To understand the underperformance of family firm stocks during the crisis, Lins et al. (2013) analyze whether family firms make different financing or investment decisions, and if so, whether these decisions affect their performance. More specifically, they investigate whether family-controlled firms adopt distinct policies regarding cash holdings, dividends, leverage, short-term debt, credit lines, equity issuance, and capital expenditures during the crisis, compared to their industry peers, by extending the observation period from 2006 to 2009 and introducing a crisis indicator for the years 2008 and 2009.

They find that family firms do not differ from other firms in their financing decisions during the crisis, such as those related to cash holdings, leverage, short-term debt, credit lines, or equity issuance. Similarly, there are no significant differences in their dividend policies. However, family-controlled firms significantly differ in their crisis-period investment decisions.

Specifically, they reduce their investments, measured as capital expenditures to assets, by 0.52 percentage points relative to other firms, which is equivalent to a 14% reduction in investment based on the characteristics of the sample. The authors interpret these findings as evidence of a bias in family-controlled firms toward survival-oriented actions aimed at preserving the family's control benefits. Cutting investments helps conserve resources and reduces the risk of the family losing control of the firm.

Furthermore, Lins et al. (2013) show that the underperformance of family firm stocks during the crisis is at least partially attributable to these investment reductions. They explicitly test the mediating effect of investment cuts on the relationship between family control and crisis-period underperformance. Their findings reveal a highly significant mediation effect, indicating that, on average, about one-third of the underperformance of family firms can be traced back to their decision to cut investments.

3.3. Limitations and possible explanations for divergence from other research

Table 1 provides a synoptic view of all the studies reviewed so far. From this table, it is clear that there are several potential sources of divergence between the findings of Lins et al. (2013) and those of other studies. These sources of divergence include differences in the firm universe, sample structure, family firm identification, performance measures, and econometric methodology.

3.3.1. Firm universe and sample structure

Lins et al. (2013) analyze a significantly larger sample than other studies, covering more than 8,500 firms across 35 countries, whereas most other studies rely on samples of only a few hundred firms from a single country. Additionally, the proportion of family-controlled firms in Lins et al.'s (2013) sample is relatively small, accounting for just 11%. In contrast, the samples in other studies are more balanced between family and non-family firms – for instance, 236 out of 356 firms in

Amore et al. (2022), 112 out of 219 in Bauweraerts (2013), and 120 out of 394 in Zhou et al. (2017). The limited representation of family firms in Lins et al.'s (2013) sample, combined with the potential heterogeneity of family firms across 35 countries, may partly explain why their findings on the relative performance of family firms diverge from those of other studies.

3.3.2. Family firm identification

As Bennedsen and Nielsen (2010) point out, a key challenge in analyzing family firms is the absence of a universally accepted definition. Miller et al. (2007) provide a comprehensive review of the various academic definitions of family firms, highlighting their diversity. The literature on the resilience of family firms is no exception, as illustrated in Table 1, and as demonstrated by Maury (2006) and Miller et al. (2007), empirical findings are highly sensitive to the definition used.

More specifically, while Lins et al.'s (2013) family firm identification is similar to that of Amore et al. (2012) and Minichilli et al. (2016), it differs from the identification methods used by Bauweraerts (2013) and Zhou et al. (2017) in that it does not consider the family's involvement in the firm's governance. Since the presence of family members or the firm's founder in management has been shown to drive the outperformance of family firms in challenging circumstances, this difference in identification may explain the divergence in Lins et al.'s (2013) findings.

Table 1. Summary table of empirical studies on the resilience of family firms in times of crisis

Article	Sample and period	Family firm identification	Method and crisis considered	Findings
Amore et al. (2022)	356 Italian listed firms (of which 236 are family firms) in 2020	A family owns at least 25% of the equity, either directly or indirectly.	Cross-sectional regressions & difference-in-difference analysis Performance measured by CAPM-adjusted daily returns and ROA <i>Crisis considered:</i> the COVID-19 crisis	Family firms fared better than other firms during the COVID-19 pandemic , especially in the absence of relevant minority investors and with multiple family shareholders in the firm's equity, and primarily in labor-intensive industries.
Bauweraerts (2013)	219 privately-held Belgian firms (of which 112 are family firms) in the period 2002-2011	2 out of the 3 following criteria: - a family owns at least 50% of the firm's shares; - management is primarily exercised by a family; - the majority of the board consists of family members	Panel regressions with a Heckman correction for endogeneity Performance measured by OROA <i>Crisis considered:</i> the 2008 GFC	Greater resilience of private family firms in times of crisis relative to their non-family peers
Lins et al. (2013)	8,584 non-U.S. firms across 35 countries in 2008-2009	A family owns at least 25% of the equity, either directly or indirectly.	Cross-sectional regressions of performance measured by buy-and-hold stock returns & propensity score matching as robustness check <i>Crisis considered:</i> the 2008 GFC	Family-controlled firms significantly underperformed compared to non-family firms during the crisis. They cut investment more aggressively, which negatively impacted future performance.

Table 1. Summary table of empirical studies on the resilience of family firms in times of crisis – *continued*

Article	Sample and period	Family firm identification	Method and crisis considered	Findings
Minichilli et al. (2016)	219 Italian listed firms in the period 2002-2012	A family owns at least 25% of the equity, either directly or indirectly.	Panel regressions with a Heckman correction for endogeneity Performance measured by ROA and ROE <i>Crisis considered:</i> steady-state economy following the 2008 GFC	Family-controlled firms significantly outperformed in poor economic conditions, the most resilient ones being those with a family CEO and less concentrated ownership .
Zhou et al. (2017)	394 S&P firms (of which 120 are family firms) in the period 2006-2010	4 types of family firms: - founder firms (founder with a governing position), - heir firms (family heirs with a governing position), - family-owned firms (A family owns at least 10% of the equity.), - leader/owner firms (The CEO or a board member is a blockholder.).	Panel regressions with a Heckman correction and a propensity score matching Performance measured by OROA <i>Crisis considered:</i> the 2008 GFC	Founder-led family firms are more resilient because they do not overinvest in bad times.

Note: This table presents the sample composition, observation periods, economic contexts, empirical methods, and key findings of academic studies examining the relative resilience of family firms during the 2008 GFC and the COVID crisis. GFC stands for global financial crisis. CAPM stands for capital asset pricing model. ROA stands for return on assets. ROE stands for return on equity. OROA stands for operating return on assets.

3.3.3. Methodological differences

First, unlike other studies, Lins et al. (2013) do not use corporate performance measures such as ROA or ROE. Their analysis relies solely on buy-and-hold stock returns. Measuring performance by market returns is usually less favorable to family firms than using corporate performance metrics.³ Second, and more importantly, in terms of econometric methodology, Lins et al. (2013) conduct a purely cross-sectional analysis but do not account for the time-series dimension. As a result, their findings stem solely from differences between firms rather than changes over time within the same firms. This methodological contrast with the difference-in-differences or panel approaches used in other studies is substantial enough to produce divergent results.

4. Factors driving the superior resilience of family firms

Several distinctive attributes of family firms are recognized as key factors behind their greater resilience in times of crisis: (1) multigenerational family firms are more likely to prioritize long-term decisions over short-term objectives; (2) as a result, the financial capital they invest in the firm tends to be patient; (3) most family firms are characterized by exceptional human capital; (4) they benefit from strong social capital built by family members; (5) the controlling power of the business family streamlines governance mechanisms, enabling faster decision-making and reactivity; (6) the alignment of interests between owners and managers in family firms reduces agency costs and fosters a stewardship approach to investment; and (7) family firms have better access to short-term credit.

³ In contrast to book values, market stock prices include the value of growth opportunities. Due to the conservative investment approach of family firms, their growth options are typically valued less by the market.

4.1. Long-term perspective

Family owners often adopt a long-term perspective, driven by their desire to pass on a healthy and sustainable business to future generations (Adams et al., 2009; Salvato et al., 2020). This characteristic long-term outlook shapes key decisions made by business families (Frank et al., 2017; Lumpkin and Brigham, 2011). Due to their strong commitment to hand over the firm to the next generation, business families tend to have longer decision-making horizons, heightened reputational concerns, and a deeper emotional attachment to the business compared to non-family owners (Blondel, 2012). As noted by Amore et al. (2020), in times of crisis, these attributes can be particularly valuable, as they signal to stakeholders a heightened motivation to keep the business afloat.

4.2. Patient financial capital

In order to sustain the family legacy across generations, the financial capital invested by a business family in its firm is patient (Blondel, 2012), allowing it to withstand short-term losses (Miller and Le Breton-Miller, 2005; Sirmon and Hitt, 2003). The business family's cross-generational perspective also leads to strong efforts to safeguard liquidity and ensure financial coverage during volatile times (Miller and Le Breton-Miller, 2005). According to Sirmon and Hitt (2003), family firms possess "survivability capital," which refers to personal resources that family members contribute to the firm. These resources act as a safety net during economic recessions and crises, providing a potential advantage over non-family firms.

For example, in 2020, when the COVID-19 crisis caused significant economic turbulence, the Martin Hilti Family Trust, the sole shareholder of Hilti Group, decided to strengthen the company's liquidity by making a standby credit facility of 200 million CHF available and by waiving the right to any dividends for 2020.

4.3. Human capital

Patient financial capital often comes along with another intrinsic resource inherent to family firms: human capital. Human capital encompasses the knowledge, skills, expertise, attitudes, and values that family members bring to the firm's activities (Danes et al., 2008; Miller et al., 2015). The positive attributes of human capital in family firms include firm-specific knowledge, a strong work ethic, exceptional commitment, and close relationships (Baù et al., 2020; Cunningham et al., 2016; Horton, 1986; Sirmon and Hitt, 2003). These attributes may explain why founder-led firms (Zhou et al., 2017) or family firms with family members actively involved in governance (Minichilli et al., 2016) outstand among other family firms in terms of resilience.

4.4. Social capital

Business families often develop strong and long-lasting relationships with both internal and external stakeholders (Carney, 2005; Miller and Le Breton-Miller, 2005). The set of relationships that business families build with key stakeholders, including employees, customers, suppliers, board members, and government entities, is referred to as social capital. Unlike human capital, which is embodied in individuals, social capital resides in relationships among people (Mzid et al., 2019).

As a defining characteristic of family firms, social capital can contribute to their resilience (Arrègle et al., 2007). First, strong intra-family social capital can amplify the advantages of family ownership during crises and facilitate entrepreneurial actions that yield positive outcomes (Chirico et al., 2011; Christensen-Salem et al., 2021; Rogoff and Heck, 2003; Salvato et al., 2020). Second, trust-based relationships with employees and other external stakeholders play a pivotal role in overcoming adversity (Salvato et al., 2020; Mzid et al., 2019). These relationships can significantly influence the success of turnaround strategies and enhance firm survival during periods of

organizational decline. Therefore, actively leveraging stakeholder relationships is crucial for weathering crises, as illustrated by Mzid et al. (2019) in their qualitative study on the impact of the 2011 Tunisian revolution. Illustration 1 summarizes the key features of their research.

Illustration 1. The role of social capital in the resilience of family firms: Evidence from the 2011 Tunisian “Spring”

The context

Between December 2010 and January 2011, Tunisia witnessed a largely non-violent revolution, known as the Jasmine Revolution, which triggered a series of political, social, and economic transitions, posing challenges for businesses across all sectors.

A qualitative case study

Mzid et al. (2019) conducted semi-structured interviews with managers of four Tunisian family firms to examine how they navigated the challenging economic conditions in the aftermath of the revolution between 2011 and 2014.

4 family firms under great economic tension

The four selected companies – Tuntex (clothing, 400 employees, founder-managed), Tunifoods (food, 25 employees, founder-managed), Plastun (plastics, 34 employees), and Tunirest (catering, 32 employees) – were affected by the crisis due to their strategic position in the Tunisian economy and their high export potential. On average, they experienced a 28% drop in exports, significantly exceeding the national average decline of 18.3% in 2013.

The pivotal role of social capital

Mzid et al. (2019) find that the social capital of family firms contributes the most to their ability to absorb shocks, reallocate resources, and navigate future disturbances. This social capital is primarily built on relational ties and the trust established with both internal and external stakeholders. What makes the social capital of family firms distinctive is its foundation in close relationships with employees, suppliers, and customers. The support of external partners, particularly suppliers and clients, is evident in gestures of confidence, such as extended payment deadlines or the acceptance of temporary setbacks.

Furthermore, in times of crisis, business families exhibit a strong willingness to make sacrifices, demonstrated by their readiness to work harder for limited rewards, exercise extreme frugality, and accept wage reductions (Minichilli et al., 2016; Siakas et al., 2014). Additionally, family-controlled firms are less likely to downsize their workforce or cut wages, both before and during crises (Belot and Ginglinger, 2025; van Essen et al., 2015). This fosters emotional and social capital within the firm, enhancing its resilience (Salvato et al., 2020). Through actions of solidarity and commitment during crises, business families can extend their strong emotional bond with the firm to non-family employees (Berrone et al., 2012; Cater and Schwab, 2008; Kraus et al., 2020). Calabrò et al. (2021) provide examples of such actions. Illustration 2 highlights two well-known cases: Ferrero and the Hilti Group. Additionally, when business families build trust-based relationships with employees, these relationships often extend to other stakeholders, creating strong networks that serve as a strategic advantage in times of crisis (Cater and Beal, 2014).

4.5. Smoother governance and faster reactivity

According to Arrègle et al. (2007), business families contribute several specific inputs to their companies, including capital, labor, intellectual capacity, culture, and trust. The combination of these factors enhances decision-making processes and the functioning of governance mechanisms within the firm, providing a competitive advantage in times of unexpected disturbances. More specifically, business families often hold key steering power in the firm's governance structure, which offers strategic flexibility, less formalized decision-making processes, and fast reactivity when the situation demands it (Carney, 2005; Le Breton-Miller et al., 2015; Sirmon and Hitt, 2003).

Illustration 2. Examples of actions taken by family firms in favor of employees in times of crisis

Temporary measures implemented by Hilti Group in 2020

To counter the adverse effects of the COVID-19 pandemic, the Hilti Group implemented a package of measures in 2020, including a complete hiring freeze, the cancellation of all large events, and most business travel. Employees at the Corporate Headquarters voluntarily forewent five percent of their salary in exchange for compensation days. The savings generated were directed to a social fund that was available to Hilti employees worldwide who were severely affected. Additionally, selected non-strategic projects and larger investments were delayed or slowed.

The production bonus of Ferrero in 2020

Since 2018, Ferrero, one of the largest family firms in Italy, has paid its employees an annual production bonus, 30% of which is determined by the firm's earnings and 70% by the plant's individual performance. In 2019 and 2020, despite plant closures and reduced working hours due to the pandemic, the payment of the production bonus continued. Ferrero decided to pay its employees an average production bonus of 2,200 euros – an amount similar to that of previous years – as recognition for their hard work during the challenging period of the first COVID-19 lockdown and as a kind of profit participation.

Through exploratory qualitative research conducted on family firms of all sizes and industries from five European countries at different stages of the COVID crisis, Kraus et al. (2020) show that family firms adapted their business models to changing environmental conditions in a short period of time, with a focus on digitalization and innovation. As reported by Calabrò et al. (2020), the fast reactivity of family firms was successfully put to the test in 2020. Many family firms shifted their production lines to manufacture protection masks and medical overalls, e.g., the Giorgio

Armani Group, the lingerie manufacturer Mey in Germany, or the German coffee filter producer Melitta.

However, the typically attributed fast reactivity of family firms may not apply to those with external directors and a particularly large number of shareholders, which can cause a divergence of family and non-family interests (Kraus et al., 2020). Empirical evidence suggests that formalized crisis procedures decrease as family ownership increases, with this effect being moderated by the presence of supervisory boards. Family firms with supervisory boards exhibit a comparable degree of formalization in crisis procedures to non-family firms with supervisory boards. In contrast, family firms without supervisory boards show a lower level of formalization in crisis procedures than non-family firms without supervisory boards (Astrachan et al., 2021; Faghfour et al., 2015).

4.6. Lower agency costs and stewardship approach to investing

From an agency theory perspective, the alignment of interests between owners and managers in family firms is an undeniable competitive advantage during a crisis (Anderson and Reeb, 2003). Conversely, in non-family firms, the conflict of interest between the long-term orientation of the owners and the short-term motivations of the managers is more pronounced and becomes more costly when a shock occurs (Bauweraerts, 2013).

Conflicts of interest between long-term-oriented owners and short-term-oriented managers are highly costly when a crisis occurs. It is well known that managers have an incentive to take on excessively risky projects when a firm is close to bankruptcy because they gain from the excess risk without bearing the consequences of failure (Brealey et al., 2023). During a crisis, this situation is particularly likely. As sales decline and economic conditions worsen, myopic managers may overinvest in projects to boost short-term earnings, especially if they feel threatened by the

possibility of dismissal. If investing in these new risky projects leads to a drying up of short-term loans, it could jeopardize ongoing projects. Family firms with large shareholders acting as managers do not face this issue, and the better alignment of interests between shareholders and managers in family firms results in superior performance in difficult times. Moreover, beyond the fact that the managers of family firms are generally owners, the consequences of a business failure are much greater for them than for the managers of non-family firms (Cater and Beal, 2014). Family firms' managers risk losing their family property, tarnishing the public reputation of their family name, and jeopardizing the family legacy (Siakas et al., 2014). This enjoins them to manage the business responsibly, always keeping the best interests of the entire family in mind.

Consistent with this hypothesis, Zhou et al. (2017) find that founder firms – a subset of firms that outperformed during the GFC – adopted more prudent investment strategies than their counterparts during the crisis, both in terms of mergers and acquisitions (M&A) and direct investments. Founder firms were less likely to engage in mergers and acquisitions (M&A) during the crisis compared to non-family firms, with this result holding true for M&A in general as well as for diversifying M&A in particular. Additionally, founder firms invested significantly less in capital expenditures than non-family firms. Zhou et al. (2017) interpret these more cautious investment decisions as one explanation for the outperformance of founder firms during the GFC.

4.7. Access to short-term credit

Anderson and Reeb (2003) argue that financial institutions are more likely to deal with the enduring governing entities and practices found in family firms with reputational concerns, compared to non-family firms. This may provide a competitive advantage during a crisis, when most firms face credit constraints. The findings of Zhou et al. (2017) support this hypothesis. They show that founder family firms take on more short-term debt than non-family firms during the

GFC, suggesting that they have better access to debt financing in times of economic downturns. Zhou et al. (2017) argue that this easier access to short-term credit, combined with more responsible investment decisions, explains the outperformance of U.S. founder family firms during the GFC. Additionally, business families often have a well-established network of connections, which helps them access resources from banks (D'Aurizio et al., 2015) and political circles (Amore and Bennedsen, 2013).

5. Conclusion

Family firms represent a significant share of businesses worldwide and generally exhibit greater longevity than other firms. Whether family-controlled businesses are more resilient than their non-family counterparts is therefore a relevant question. Several empirical studies have explored this issue by examining the 2008 GFC and the COVID-19 crisis. With the exception of Lins et al. (2013), all these studies conclude that family firms financially outperformed during these challenging periods. This outperformance is particularly pronounced when family firms do not have minority shareholders, when the founder remains actively involved in management, and when multiple family members participate in ownership. Furthermore, during the COVID-19 pandemic, family firms performed especially well in labor-intensive industries, largely due to their closer relationships with employees, which contributed to higher labor productivity.

All empirical studies, including Lins et al. (2013), show that family firms reduce their investments more drastically than their non-family counterparts during crises, both in terms of direct investments and M&A. While Lins et al. (2013) argue that this frugal policy led family-controlled firms to underperform, all other studies interpret it as a prudent and responsible strategy that prioritizes long-term objectives, protects employees from economic shocks, and ultimately leads to higher financial performance. More specifically, in family firms where ownership and

management overlap, decision-makers avoid the pitfall of overinvesting during economic downturns – namely, investing in excessively risky projects in an attempt to boost short-term earnings. More broadly, the distinctive attributes of family firms identified in the literature as key drivers of their superior resilience include a long-term orientation aimed at passing on a healthy business to future generations, patient financial capital, high-quality human capital, stronger social capital, faster reactivity, a stewardship approach to investment, and easier access to short-term credit.

While the literature reviewed in this white paper is rich and insightful, several questions remain unanswered, pointing to three avenues for future research. First, further investigation is needed into which governance mechanisms truly enhance the performance of family firms. Existing research highlights differences among family firms based on governance structures and family ownership patterns, yet whether these findings can be generalized is unclear. This issue warrants attention in both stable and challenging periods. Second, there is an opportunity for empirical research to reconcile the conclusions of Lins et al. (2013) with those of other studies. Third, and more importantly, while the existing literature on the resilience of family firms primarily focuses on their behavior during systemic crises, little is known about how family and non-family businesses compare when facing idiosyncratic challenges, individual financial distress, or the pressures of global competition in today's economic landscape.

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