Strategic Management Society

Family Firms Are More Likely to Survive Disasters

What type of firms are more likely to survive or even thrive in disaster events such as earthquakes, wildfires, and the COVID-19 pandemic?

That was the question researched by Carlo Salvato, Mario Daniele Amore and Alessandro Minichilli, of Bocconi University, Milan, Italy, and Massimo Sargiacomo, G. D'Annunzio University of Chieti-Pescara, Pescara, Italy.

Their study, *Natural Disasters as a Source of Entrepreneurial Opportunity,* was published in the *Strategic Entrepreneurship Journal.*

"We found that family firms performed better than their non-family peers after the earthquake that hit central Italy, and especially the area around L'Aquila, in 2009. And firms performed better still when multiple family members were involved as owners," write the authors.

In addition, family firms that operated in industries closer to the public sector leveraged the family proximity to politics, further enhancing the processes of recovery and opportunity identification.

The researchers wanted to understand whether the explanation of family firms' superior longevity was their resilience to mass emergencies and their ability to transform post-crisis threats into entrepreneurial opportunities.

They looked at the impact of the disastrous earthquake that devastated the Abruzzo region in central Italy on April 6, 2009. The earthquake killed more than 300 people, injured about another 1,600, left 65,000 homeless, and created economic damages estimated at 10.2 billion euros.

Many firms struggled to preserve their supply chains and to maintain business relationships with other firms. Economic and personal disruption also caused widespread psychological and emotional distress. However, long-lasting family firms seem to be capable of turning adversities into opportunities.

"We analyzed the performance of Italian family and nonfamily firms around the disastrous 2009 earthquake," write the authors. "During disaster events, family ownership resources—focused on the long term and the desire to transfer the business to future generations—provide the firm with the social and emotional capital needed to address the hardship.

"Our findings provide evidence on the superior resilience of family firms by illustrating the characteristics that allow firms hit by disaster events to seize posttraumatic entrepreneurial opportunities for recovery and growth."

To explain the resilience of family firms, some researchers have focused on the importance of family social capital, and on the enduring interpersonal relationships among family members sharing coherent goals that shape decisions. Others have focused on the close collaboration of family members to keep transgenerational

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control, which contributes to preserving the common family-centered socioemotional wealth endowment. Finally, other researchers have focused on how the connections among family, firm, local community, and government systems support family firm responses to adversity.

“Taken as a whole, this work—whether focused on family social capital, socioemotional wealth preservation, or family connections—has generated important insights into why firms that successfully survive and thrive across centuries are often family owned and controlled,” write the authors. “These insights revolve around the unique role of the relationships among members of the controlling family, and between the family and external stakeholders, in facing hardship.”

However, these explanations have not been unambiguously conceptualized and empirically tested. Strong family ties provide essential affective and economic resources, but they may also be redundant, thus limiting the quantity and variety of resources to face adversity, and the family firm’s ability to capture post-crisis entrepreneurial opportunities.

The desire to preserve socioemotional wealth prompts family members to endure exceptional sacrifice when facing adversity, but it may also induce conservative entrepreneurial decisions.

“Thus, while informative about the determinants of longevity, much of this prior work does not provide final explanations as to whether family firms are more likely to suffer or thrive when facing adversity, and why,” write the authors.

“Our empirical test compares the pre- and post-event performance of all family and non-family firms located in the area affected by the earthquake, and of a control sample,” they continue. “The findings of this natural experiment suggest that after the earthquake family firms performed significantly better. This result is attributable to a mix of support from family social capital (close bonds among members of the owner family), industry positioning, and family business proximity to the public sector.

“We help resolve the paradox of the positive and negative effects of family social capital and socioemotional wealth—which provide unique resources, yet risk being redundant and inducing conservative decisions—by showing that these dynamics both support resilience in adversity. Our study suggests that through a combination of internal and external bonds, and industry positioning, family firms can turn adversities into entrepreneurial opportunities. We describe this capability as an overlooked dimension of family firms’ resilience.”

The **Strategic Entrepreneurship Journal** (**SEJ**), founded in 2007, is targeted at publishing the most influential managerially oriented entrepreneurship research in the world. It is a research journal that publishes original work recommended by a developmental, double-blind review process conducted by peer scholars. Strategic entrepreneurship involves innovation and subsequent changes which add value to society, and which change societal life in ways that have significant, sustainable, and durable consequences.

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