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Crisis Management: A Necessary Evil or Useful Tool? The Role of Socioemotional Wealth in the Crisis Management of Family Firms**

Abstract

The purpose of this paper is to explore and understand how family firms manage a crisis by applying a processual perspective addressing the different phases of a crisis, including its origin, context and consequences. Drawing on a study of six family firms, we find that the leadership of the owning family signifies crisis management in family firms. Also, family firms rely on multiple crisis management practices and make use of their relationships and networks, which support crisis management at different stages. Socioemotional wealth can be both a trigger and a consequence of crisis management procedures. This study contributes to the literature by providing a more nuanced and developed crisis management model that accounts for the peculiarities of family firms. We argue that it is of the greatest importance to consider the consequences of a crisis whose origin stems from the owning family. In particular, such crises will trigger the owning family, as their socioemotional endowment would be at risk, which can free family resources for crisis management practices.

Keywords: crisis management process, family firms, family leadership, case study, Germany, Scotland, Sweden, SMEs
(JEL: L26, M10, M19)

Introduction

Very few studies have investigated how family firms manage and overcome crises (for exceptions, see Cater & Schwab, 2008; Faghfour et al., 2015; Kraus et al., 2013; Miller & Le Breton-Miller, 2005). In this paper, we adopt Chua et al.'s (1999) definition of family firms: firms in which one family controls the ownership, is involved in the firm and has the intention to continue the firm in the next generation. A recent study of German SMEs found that formalised crisis procedures decrease as family ownership increases (Faghfour et al., 2015). Nonetheless, crisis management is of great relevance for family firms because their socioemotional endowment (Gómez-Mejía et al., 2007, 2011) is at stake for owning families.

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