Entrepreneur & Innovation Exchange
Published online at FamilyBusiness.org on May 25 2026
DOI: 10.32617/1314-6a1453f152976

Why Family Business Strengths Can Become Weaknesses in a Crisis

Michael Kuttner (Salzburg University of Applied Sciences)

KEYWORDS: Family Business, crisis management, Resilience, family business advice, Help with a family business.

Family businesses often rely on loyalty, long-term thinking and strong relationships. But research shows those same strengths can backfire when crisis hits.

For most family business owners, the company is more than a balance sheet. It is a legacy—built on deeply held values and a commitment to endure across generations. That legacy shapes decisions in ways that rarely register in stable times: a long-serving employee kept on through a quiet quarter, an investment made with grandchildren in mind rather than next year's return, or a supplier paid on time because that is how it has always been done. In a crisis, those same instincts often become the thing that holds everything together. Sometimes, though, they become the thing that holds the business back.

When the next crisis arrives—a pandemic, an energy shock, a supply chain collapse, or a sharp wave of inflation—every family business owner faces the same set of questions. Do we keep everyone on the payroll? Will our suppliers carry us, or pass on the pain? Should we draw on family capital now, or hold it in reserve? Will the values and habits that guided us through stable years still hold under pressure?

The conventional answer is that family businesses are inherently more resilient than their peers. The evidence is real: long-term orientation, strong relationships, family commitment, and faster decisions all matter—and they matter a lot. But the claim is incomplete. In every recent crisis, some family businesses have emerged visibly stronger, while others have struggled, contracted, or quietly fallen behind. The more useful question for any owner-manager is not whether family businesses are resilient on average. It is: what separates the ones that come through stronger from the ones that don't?

To answer this, a qualitative study was conducted from 2023 to early 2025 with support from the EQUA Foundation[1]. We interviewed 20 owner-managers from 18 Austrian family businesses in depth. The companies span from a family business founded in 1601 to family businesses established in the 1990s; range from 12 to 200 employees; and cover industries from food and brewing to construction, electronics, textiles, fashion retail, and printing. Interviews were semi-structured and transcribed verbatim. We then analyzed the data, drawing on best analytical practices from family business and resilience literature.

The pattern that emerged is not another list of strengths. The familiar ones—long-term thinking, strong relationships, fast decisions, deep values, generational learning—are well documented and largely true. The contribution of this article lies not in identifying resilience factors themselves, but in explaining the conditions under which these factors strengthen or undermine crisis resilience. We focus on a harder question: when each of those strengths actually delivers resilience, and when the same strength quietly turns into a liability.

Family businesses are often described as "*Janus-faced*"—every defining attribute carries two possibilities. For owners and successors of family businesses, the practical value lies here: Each section identifies the tipping point where a familiar strength can flip into a vulnerability, drawing on what the interviewed owners themselves saw, decided, and learned.

Thinking in Generations—A Question of Timing

One of the defining strengths of many family businesses

Copyright © 2026 The Authors. Entrepreneur & Innovation Exchange is published at EIX.org. This is an open access article under the terms of the Creative Commons Attribution-NoDerivs License, which permits use and distribution in any medium, provided the original work is properly cited and no modifications or adaptations are made. View EIX.org Authorship Terms at https://eix.org/terms

FamilyBusiness.ORG

lies in their long-term orientation. Rather than focusing on quarterly results, they think in terms of generations. Their priority is not short-term profits, but the sustainable preservation and growth of the business over time. The second-generation owner-manager of Family Business A puts it plainly: *"As a family business, you want the very best for the next generation."* Strategic decisions are made with a future-focused mindset—rooted in a sense of responsibility toward employees, business partners, and often the local communities where these businesses are deeply embedded.

This long-term perspective is especially visible in how money is managed. Rather than chasing aggressive returns, many family businesses prize prudence and stability. Risk exposure is deliberately limited and debt is kept low. As the owner-manager of Family Business A told us: *"We make a point of acting very conservatively, and building up reserves in the background, in case another crisis arises—so that we have something to fall back on."* The result is often high equity ratios and robust reserves—the very assets that prove critical when shocks hit. The buffer allows owners to remain operationally calm, avoid hasty reactions, and stay independent of outside support. Those who manage with foresight are better equipped to stay composed when volatility arrives.

But the same long horizon can also work against the buffer it is meant to create. When investments made in the spirit of legacy fall just before a crisis, the cushion is suddenly thin. Family Business N had bought a historic building shortly before Covid-19 to save it from demolition—a long-term decision rooted in responsibility toward the region. The debt that came with that purchase then narrowed the company's room to maneuver throughout the pandemic. The fifth-generation successor at Family Business Q, a fashion and interior retailer, took on a similar bet for similar reasons: As nearby shops closed in the pandemic, the family rented several of them in order to keep family-run businesses in the city center. The portfolio grew to 10 stores. When inflation and falling consumer spending arrived, half had to be closed again. *"I think we relied too much on things staying the way they were. We were aware of Covid-19, but not all the other crises that followed,"* the business owner told us. The reserves are then exactly where one would expect to find them—locked in the wrong place at the wrong moment. The long-term orientation is not the wrong instinct; the timing is. Resilience here depends less on whether owners think generationally, and more on whether they keep liquidity available for shocks they cannot predict.

The Business as a Life Project—and a Weight

For many family members, the business is far more than a professional endeavor—it is part of who they are. Many grew up inside it. The second-generation owner-manager of Family Business K, in semiconductors, recalls: *"I was at the company for the first time at the age of three. I've been here my whole life, I've grown up with the technology my whole life, and picked up every conversation, every crisis, every important milestone at the lunch or dinner table."* That kind of biography produces a commitment few outside owners can match. When a crisis hits, family resources are mobilized quickly and almost instinctively—through hands-on operational support, fresh capital injected from the family, or the targeted expertise of relatives who do not normally work in the family business. The same identification can hold a company together when external conditions deteriorate.

But the same attachment can also become a weight. The owner-manager of Family Business P, a metalworking company, puts it bluntly: *"You can't get away from the company. It's like an ankle bracelet."* What looks like dedication from the outside can, from the inside, feel like an obligation no one is free to put down. The same closeness to the workforce that makes employees feel like family also makes the difficult decisions a crisis demands—layoffs, plant closures, restructuring—harder to take and slower to execute. Several owners in this study described knowing their employees' personal circumstances in such detail that any cut feels personal. In good times, this is loyalty made visible. In a deep crisis, it can delay the very moves that would save the business. The question is not whether to feel the weight—it is whether the structure of the family business allows action when the weight is heaviest.

Social Capital and Its Stress Test

An often overlooked yet vital success factor in family businesses is the strength of their relational networks—with employees, suppliers, and customers. This form of social capital does not emerge overnight; it is cultivated over time and proves especially valuable during a crisis. Many employees in family businesses

Copyright © 2026 Michael Kuttner, Published by Entrepreneur & Innovation Exchange

DOI: 10.32617/1314-6a1453f152976

are motivated not only by compensation but also by feelings of trust and loyaltty toward the owning family. The owner-manager of Family Business P describes the dynamic directly: *"You feel that people aren't only working for the money—they're working for me and for my daughter. They're working in a family business."* On the ownership side, family leaders often carry a heightened sense of personal responsibility, doing everything possible to avoid layoffs or reduced hours. Human considerations frequently take precedence over short-term cost efficiencies.

Relationships with suppliers and customers follow a similar pattern. When disruptions occur, long-standing suppliers may prioritize deliveries, extend payment terms, or offer flexible arrangements built on years of mutual reliability. Customer relationships are often characterized by personal service and direct accountability. By knowing their customers and consistently delivering on promises, these businesses build loyalty that endures even when lead times lengthen or prices rise.

But not every long-standing relationship survives the pressure of a crisis. During the 2021 wood price shock, Family Business A saw something they had not seen before: Suppliers with whom they had worked for years raised prices on contracts that had already been agreed. The owner-manager of Family Business A states openly: *"I'm letting the suppliers who left us in the lurch then feel, afterward, that it wasn't okay."* The point is general. Social capital looks like a constant in normal years and only reveals its capacity to withstand pressure. Some relationships hold; some break. Resilience does not come from having relationships—it comes from knowing which ones will carry weight when it matters and being willing to recalibrate the rest afterward.

Values as a Compass: Reset When Needed

In many family businesses, values such as responsibility, loyalty, and solidarity are deeply embedded in the culture. During uncertainty, those principles function as a moral compass—offering direction, fostering perseverance, and sustaining commitment even when short-term economic gains remain uncertain. Acting with integrity in difficult moments reinforces internal cohesion and external credibility. Over time, this alignment between values and actions strengthens loyalty and reputation in ways that purely transactional businesses cannot replicate.

But values that go unexamined can harden into rules no one is allowed to question. The fifth-generation owner-manager of Family Business G, in construction, describes the discipline that resilient family businesses practice: *"You have to be allowed to question these objectives, and not simply continue the business out of obligation…For resilience, it is essential to question the goal again and again, and to check whether the values we live by are still the right ones, or whether it would be legitimate to adjust them."* The point is not that values matter less than commonly believed—it is that they matter so much that they need to be re-examined during crises, not defended. Several owners in this study used the lockdowns of 2020 for exactly this exercise: stepping back as a family to reconsider the fundamental purpose of the business, before deciding how to act. Values that survive that examination carry real weight in difficult decisions afterward. Values that are never tested risk becoming a form of inertia.

Fast, Agile—and Aligned

One of the distinct advantages of family businesses is their ability to act swiftly when circumstances demand it. Decision-making is often lean and direct—sometimes a phone call or a conversation around the kitchen table is enough to initiate meaningful change. The second-generation owner-manager of baby goods wholesaler Family Business L frames it in competitive terms: *"One of the strongest assets we have is speed, because we are unbelievably fast. Compared to our competitors, we are always worlds quicker."* During Covid-19, owners in this study redirected production lines, launched online shops in a matter of days, switched to mask production, or stepped onto the shop floor themselves—without waiting for committees to sign off.

The flip side is that speed depends on alignment. The same short channels that allow a single phone call to set a strategy in motion also allow one family disagreement to stall it. Where ownership is divided across siblings, branches, or generations without clear governance, agility evaporates exactly when it is needed. Risk aversion is the other failure mode: Families that prize stability above all else can be slow to commit to change even when the evidence is clear. The advantage is real, but it is not automatic. Speed in a family business depends on a structure that allows the family to align quickly—and to keep aligning under sustained pressure.

Copyright © 2026 Michael Kuttner, Published by Entrepreneur & Innovation Exchange
FamilyBusiness.org (2026)
DOI: 10.32617/1314-6a1453f152976

Learning from Experience Without Replaying It

Crisis experience is another often underestimated asset. Past disruptions leave scars, but they also generate learning that stays in the family business. The owner-manager of Family Business P reflects on the 2008 financial crisis as the turning point in how she now manages her family business: *"I have learned more in crises than at any other time in my life. People say you can grow from setbacks, and that is one hundred percent true. Since the financial crisis, nothing can come along that knocks me over — I know what to look at, which customers to get into the boat with, where to keep stability."* Across this study, senior owners contribute tested insight from earlier downturns while successors bring new perspectives—on digitalization, sustainability, and how to read the next generation of customers. The intergenerational interplay produces a decision culture that is both forward-looking and grounded.

But experience can also flip into overconfidence. The lesson of the financial crisis was financial discipline; the lesson of Covid-19 was operational agility; the lesson of the energy crisis was supplier dependence. Each shock taught something the next one did not need. Owners in this study who treated crises as a curriculum—expecting each new event to surface different vulnerabilities—came through better than those who applied the playbook from the last crisis to the next one. The pattern repeats across generations, too: confidence built on past survival is a resource only if it remains paired with the willingness to be surprised.

Red Flags: Recurring Patterns Across the Cases

The sections above examined each family business strength in turn—long-term orientation, owner commitment, social capital, values, decision speed, and generational learning—and identified the tipping point at which each can flip into a liability. Looking across these tipping points reveals a small number of recurring patterns that distinguish the family businesses in this study that struggled most through Covid-19 and the crises that followed. They are presented here not as a new layer of strengths and vulnerabilities, but as the structural conditions under which the Janus-faced dynamic discussed throughout the article tends to break in the wrong direction. Resilience, in other words, is not automatic; it must be deliberately cultivated through clear governance, financial discipline, and honest preparation—and where these are missing, even established businesses run into trouble. Be mindful of these four patterns:

- **Unresolved family conflict combined with ambiguous responsibilities**. When siblings are divided or several family members claim influence without clarity, decision-making stalls precisely when speed and alignment are most needed. Emotional attachment to the business, typically a strength, becomes a liability when roles and governance are unclear—the very source of agility in stable years turns into operational dysfunction under pressure.
- **Financial overextension**. Ambitious investments, high-stakes acquisitions, or transformations launched without adequate reserves leave the business with little room to respond when revenue falls. The cases described in the long-term-orientation section above are instances of exactly this pattern: long-term-minded decisions, made for honorable reasons, that nonetheless arrived at the wrong moment. Tradition can play a similar role: Tradition that anchors identity is an asset; tradition that locks a business into a model whose profitability has quietly passed becomes a slow-moving liability. In environments like the current one, adaptability, not nostalgia, is the currency of survival.
- **Lack of preparedness**. Without explicit crisis protocols or risk-oriented thinking, owners react tactically rather than respond strategically.
- **Neglected networks**. Relationships that are not maintained in stable times rarely deliver support when turbulence arrives.

Each of these patterns is more visible in retrospect than in the moment, when they have already done their damage. The point of the recommendations that follow is to make them visible in advance.

Putting it into Practice

Taken together, the findings suggest a more nuanced understanding of resilience in family businesses. The pattern across the family businesses in this study is consistent, and sobering. The strengths most often credited to them are real: long-term thinking, owner commitment, social capital, shared values, decision speed, generational learning. But each carries its

Copyright © 2026 Michael Kuttner, Published by Entrepreneur & Innovation Exchange
FamilyBusiness.org (2026)
DOI: 10.32617/1314-6a1453f152976

opposite within it, and a crisis brings the two faces forward at once. Resilience is not the presence of these strengths. It is the discipline to manage their double nature before the next shock arrives.

For family business leaders who want to act on these findings, a small number of priorities run through the data with unusual consistency.

- **Liquidity.** Reserves must remain available for shocks that cannot be predicted—even within long-term investments—because reserves locked in legacy projects compress exactly the buffer that should absorb the next shock.
- **Decision readiness within the family**. This goes beyond mere access to family resources. Capital, expertise, and hands-on operational support only matter if the family can decide quickly enough to deploy them, which depends on clear roles, decision rights, and conflict resolution before pressure rises.
- **Relationships.** Stress-test them in stable years instead of waiting for a crisis to do so, and recalibrate the ones that fail the test.
- **Values.** Re-examine them under pressure rather than defending them, treating each crisis as an occasion to reopen the question of what the family business is for.

Three further priorities follow from the same logic. Decision speed needs aligned governance to function under pressure: Clear ownership rules, decision rights, and intergenerational dialogue are what let the informal decision-making structures continue functioning effectively as pressure intensifies.

Past crises are best treated as a curriculum, not a playbook. Each shock teaches something the next one does not need, and leaders who expect every new event to surface different vulnerabilities outperform those who simply replay the last response. And risk management must begin before the next crisis, with regular identification, scenario thinking, transparent accounting, and a willingness to let tradition adapt rather than harden into rigidity.

None of this changes what makes family businesses distinctive. Legacy and adaptability are not opposites. The owners who treat them as one discipline, and who put each defining strength to honest examination before the next shock, are the ones whose family businesses will still be here in the next generation. Across the 18 family businesses examined here, that discipline is already taking shape—unevenly, but unmistakably.

References

[1] The findings presented in this article are based on a qualitative study of Austrian family businesses, conducted with the support of the EQUA Foundation (https://www.equa-stiftung.de/) and completed in March 2025. Julia Riepl, Thomas Rudolf Mörth and Christine Mitter played an integral role in the research project.

Copyright © 2026 Michael Kuttner, Published by Entrepreneur & Innovation Exchange
FamilyBusiness.org (2026)
DOI: 10.32617/1314-6a1453f152976