

How Family Businesses Survive Unexpected 'Wild Cards'

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One of the key concerns for family businesses is continuity. Unlike non-family firms, many family businesses display a longevity that may span over centuries. In order to survive such long periods, family firms need to successfully manage operational performance and succession challenges. They also must be resilient when facing major crises such as natural disasters, wars or pandemics.

In [our study \(https://www.sciencedirect.com/science/article/abs/pii/S187785852200002X\)](https://www.sciencedirect.com/science/article/abs/pii/S187785852200002X), published in January of 2022 in the Journal of Family Business Strategy, we focused on those unpredictable, disruptive and devastating events. The popular literature labels them as black swans, or wild cards, to convey a core message that single events may change current trends. While we do know that those wild cards will happen at some point, we are unable to predict what exactly will happen or when or how it will happen. Interestingly, if family firms have more longevity than non-family firms, then we can safely assume that family business owners/managers are better at playing the wild cards than others. We dedicated our research to better understanding where this superior skill in playing the wild cards might come from.

We conducted 15 interviews with owners and managers of various family firms in Poland. Several reasons make Polish family firms suitable for such an inquiry, but the main one is their outstanding resilience. Indeed, over the last 30 years several wild cards appeared in Poland, starting with the collapse of the communist regime, going through severe economic crisis, followed by European Union accession, the global financial crisis, and the COVID-19 pandemic. In short, our respondents have survived domestic, regional and global wild cards.

Our study focused on how they did it. We interviewed them to ask about the issues they were facing, the impact on their firms, and how they addressed those issues. We then coded and thematically analyzed these interviews, and compared them against the published results of other research in order to find inconsistencies or mismatches between the data and the theory.

It was surprising that our interviewees did not consider the COVID-19 pandemic as an exceptional event. When asked about the crises that had to face, they typically talked about regulatory, economic, social, or technology-related crises. This was surprising because most people see wild cards as rare events, but our informants emphatically did not. Their accumulated experience was useful both in identifying and in developing a useful understanding of the wild cards. So we then turned our attention to how they developed this particular understanding, which guided their subsequent reaction and helped them survive crises. We found that two elements helped them develop this useful understanding of wild cards, and two other elements helped them develop a productive response.

Identifying and Responding to Challenges

The two elements that helped these families better understand wild cards included a deep time horizon and generational involvement. Deep time horizon means that the events and experiences from their long history helped the families put any current wild card in perspective. Additionally, the involvement of older family members extended this time horizon and helped everyone better understand the situation. This is a clear advantage over non-family firm managers, who rarely have the benefits of a long history or their predecessors' perspective and orientation.

While a deep time horizon and generational involvement helped families recognize the wild cards, two other elements helped them weather the disruption: socioemotional wealth (which measures important non-economic factors that influence family firms' decision-making) and entrepreneurial orientation. Two aspects of socioemotional wealth -- social ties within the family firm and emotional attachment to family members -- were typically taken into consideration while addressing a crisis. Managers at typical non-family firms don't have these considerations when they deal with wild cards. Similarly to socioemotional wealth, we looked into what entrepreneurial orientation means for family firms playing the wild cards. We found that family firm owners and managers displayed proactiveness and innovativeness, consistent with what other researchers have found regarding entrepreneurial orientation. But this while past research has also found that entrepreneurs have a strong tolerance for risk, we found that our interview subjects actually took great measures to avoid it.

The COVID-19 pandemic certainly falls within the category of wild cards: few predicted a pandemic and even fewer predicted the impact that fighting the pandemic would have on economies and societies. We found this context suitable for investigating the skill set in question, without even anticipating that shortly after our study was published, another wild card would appear – Russia's invasion of Ukraine. We therefore believe that our findings are useful and timeless for family business owners/managers. We encourage family firm owners and managers to refer to the long history of their legacies and to the living memory of their predecessors to better understand any crisis that occurs, and to use storytelling and storysharing to conceive a way out of it toward a prosperous future.

Explore the Research

[Playing the Wild Cards: Antecedents of Family Firm Resilience](https://www.sciencedirect.com/science/article/abs/pii/S187785852200002X)

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