

# Why family businesses can defy recessions

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Family businesses hold unique assets which make them more likely to survive turbulent times according to recent research from ESCP Business School.

Francesco Rattalino, ESCP Professor of Management Control, together with Luciano Ciravegna (King's College and INCAE), Liena Kano and Alain Verbeke (Haskayne School of Business), looked into the characteristics that have helped Frescobaldi, prominent wine producers of over 700 years, and other family firms survive through revolutions, recessions and wars.

The research revealed that resilience and adaptability play a key role in these businesses' longevity, as well as a long-term vision, financial prudence, a strong connection with the local area and a solid link between the owners and their businesses in terms of loyalty and values.

According to the research, a family business's ability to create a strong network of relationships and a superior social capital have productive benefits. By aligning their corporate values with societal value systems and by promoting mutual engagement between the family, employees and customers who embrace their mission and vision, these companies have been recognised as value-creating partners in broader society.

"These particular business owners combine in-depth knowledge of the market and their business structure with other overlooked yet fundamental assets which have an equally important impact.

"Family-run businesses have the opportunity to play an important role in all countries, greatly contributing to their rebirth. Today, they face two major challenges: one in terms of size, given the increased competition in global supply chains and the impact of technology; and one in terms of evolution, since the current circumstances require different skills from those of the past generations, as well as solid values, vision and dedication.

"Whilst in the past the training of young members bound to take up the baton took place mainly within the company, it is increasingly necessary to have a wider set of experiences, soft skills, knowledge and relationships that go beyond the local context of the company itself." Says Francesco Rattalino

The research reveals that with careful management, lower average debt and a propensity to invest, the financial safety net provided by family wealth can help these companies weather the storm unscathed or, at most, with limited damage.

The paper was published in the journal of Entrepreneurship Theory and Practice.

The article was originally published by ESCP's media The Choice: How can family business drive the post-Covid recovery?|The Choice (the-choice.org)

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