RESILIENCE IN FAMILY FIRM GOVERNANCE

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How to cite: Ulrich, P. (2025). Resilience in family firm governance. In A. M. Gallo, U. Comite, & A. Kostyuk (Eds.), *Corporate governance: International outlook* (pp. 111–115). Virtus Interpress. https://doi.org/10.22495/cgiop22

Received: 03.06.2025
Accepted: 04.06.2025
Keywords: Family Firms, Resilience, Family Governance, Crisis Management, Succession Planning, Family Constitution, Long-Term Orientation, Continuity, Intergenerational Business, Organizational Adaptability
JEL Classification: M10
DOI: 10.22495/cgiop22

Abstract

Family firms represent a cornerstone of the global economy, known for their long-term orientation, strong internal cohesion, and intergenerational outlook. These characteristics are often credited with providing family businesses a unique form of resilience in times of crisis. This research study explores the concept of resilience in family firms, emphasizing the role of family governance structures in fostering adaptability, continuity, and crisis management capacity. Drawing on contemporary literature and empirical studies, it discusses how specific governance mechanisms, such as family councils, constitutions, and succession planning, contribute to the firm's ability to withstand shocks and recover from adversity. The study concludes by considering the future challenges facing family businesses and offering insights into how resilience can be institutionalized through robust family governance.

1. INTRODUCTION

Family firms account for a significant share of businesses worldwide and contribute substantially to employment, gross domestic product (GDP), and social cohesion. They are characterized not only by economic performance but also by a distinctive structure in which family dynamics intersect with business decision-making. This dual system of influence often becomes a source of both strength and vulnerability, particularly in periods of economic, social, or environmental disruption.

The concept of resilience has gained prominence as scholars and practitioners seek to understand why some family firms are able to survive and even thrive during turbulent times, while others falter. Resilience in this context refers to a firm's ability to absorb shocks, adapt to changing circumstances, and emerge stronger from adversity (Yilmaz et al., 2024). In the case of family businesses, this capability is closely linked to the presence of strong family governance structures that facilitate strategic continuity, knowledge retention, and emotional commitment across generations (Chrisman et al., 2011).

This study seeks to unpack the relationship between resilience and governance in family firms. It explores the theoretical foundations of resilience, identifies the specific governance mechanisms that underpin it, and presents illustrative examples from recent empirical research. The study ultimately argues that institutionalizing resilience through formal and informal governance structures is key to long-term sustainability in family enterprises.

2. DEFINING RESILIENCE IN FAMILY FIRMS

Resilience, in the organizational context, is generally understood as the capacity of a firm to respond effectively to disruption while maintaining core functions and adapting to new realities. For family firms, this concept takes on additional dimensions. Resilience is not just about business continuity but also about preserving family legacy, values, and relationships.

The long-term orientation typical of many family businesses provides a natural foundation for resilience. Unlike publicly traded firms that may focus on quarterly results, family firms often prioritize generational continuity, stability, and reputation. This outlook fosters investment in human capital, trust-based relationships, and prudent risk-taking, all of which enhance resilience (Mzid et al., 2019).

However, resilience is not automatic. It requires proactive planning, communication, and governance structures that align the interests of family members with those of the business. When these systems are absent or dysfunctional, family conflicts, succession disputes, and strategic paralysis can severely undermine resilience.

3. THE ROLE OF FAMILY GOVERNANCE IN BUILDING RESILIENCE

Family governance refers to the institutional frameworks and practices that guide the relationship between the family and the business. Effective governance establishes clear roles, responsibilities, and processes for decision-making, conflict resolution, and succession planning.

One of the most critical instruments of family governance is the family constitution. This document articulates the family’s mission, values, and long-term vision for the business. It often includes provisions for ownership rights, employment policies, dividend distribution, and leadership transitions. By setting expectations and minimizing ambiguity, a family constitution helps to reduce conflict and ensure cohesion during crises (Salvato et al., 2022).

Family councils and regular family assemblies also play a vital role in fostering resilience. These forums create opportunities for transparent communication, education, and alignment of goals. They also provide a structured setting in which next-generation members can be introduced to the business and gradually assume responsibility.

Succession planning is another cornerstone of resilient family governance. Sudden leadership vacuums can destabilize even the most successful businesses. A well-designed succession plan, implemented over time and with broad family support, ensures leadership continuity and strategic consistency (DeCiantis, 2022).

4. EMPIRICAL EVIDENCE AND CASE EXAMPLES

Numerous studies have explored the link between family governance and resilience. For instance, research following the 2008 financial crisis found that family firms with formal governance structures recovered faster than those without (Chrisman et al., 2011). These firms were better able to mobilize resources, maintain employee loyalty, and adjust their strategies in response to market changes.

A recent systematic review by Yilmaz et al. (2024) synthesized over 100 articles and confirmed that resilience in family firms is strongly influenced by the quality of governance practices. Their findings indicated that robust governance systems facilitate faster decision-making, effective resource allocation, and higher adaptability.

Similarly, Mzid et al. (2019) observed that family capital, comprising trust, shared values, and emotional bonds, combined with institutionalized governance mechanisms, enhances a family firm’s capacity to innovate and recover from crisis.

5. CHALLENGES AND FUTURE DIRECTIONS

Despite their potential for resilience, family firms face several challenges in building and maintaining effective governance. Generational transitions can create power struggles, especially when leadership roles are not clearly defined. Emotional attachments to legacy assets or leadership styles may hinder adaptation to new business realities.

Moreover, globalization and technological change are increasing the complexity of family business management. Younger family members may have different expectations and worldviews, necessitating governance models that are flexible, inclusive, and future-oriented. Cultural differences across branches of multinational family firms may further complicate alignment.

To address these challenges, scholars recommend a continuous review and evolution of governance practices. External advisors, family business consultants, and governance coaches can play a helpful role in facilitating difficult conversations and institutionalizing best practices (Taylor-Martin, 2024).

6. CONCLUSION

Resilience is a defining attribute of successful family firms, but it does not arise spontaneously. It is built through intentional governance mechanisms that promote transparency, continuity, and adaptability. Family constitutions, councils, and succession plans are not mere formalities; they are instruments that channel the family's collective wisdom and long-term commitment into sustainable business practices.

In a world marked by uncertainty and rapid change, the ability of family firms to institutionalize resilience will determine not only their survival but also their capacity to lead with purpose and generational responsibility. By embracing robust governance, family businesses can position themselves as enduring anchors of stability and innovation in the global economy.

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