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Negative Effects, Advantages and Opportunities Arising from Covid-19 for Family Business

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ABSTRACT

What is familiar to us so far is the fact that any pandemic situation causes firms to face difficult challenges in that complex and changing environment. Every crisis that has arisen has affected the business model of firms with which every business has tried to analyze and adapt to the new dynamics. This is confirmed by various evidence which confirm the negative impact that a crisis brings on the operation and operation of a business regardless of the size or capacity of the firm.

The spread of any crisis, be it caused by COVID-19 challenges many firms, even family firms which compared to other business firms are more resilient to risk.

According to some authors, this is because family firms maintain their success as a result of combining tradition and innovation and this makes them more resilient and flexible compared to large firms.

As we consider the impact of COVID-19 on entrepreneurial business models, we see an exogenous extreme shock and its immediate and negative impact on existing businesses.

The coronavirus, in addition to the negative effect, also has some advantages and offers several opportunities for specific sectors which will be elaborated on in the continuation of this research. So the COVID-19 pandemic brings changes but also opportunities. Therefore, the firms that have proven successful and survived the recent crisis are precisely those firms that have changed the strategy and the course of operation of the activity by being oriented towards the market and entrepreneurship.

Keywords: *family business, COVID-19, small and medium business, business model, opportunities.*

I. INTRODUCTION

In most countries of the world, the family business represents nearly 70-80% of business in general and as such has a key role in the economic development of a country. This form of business is usually represented by small and medium-sized enterprises and a small part of them reach large businesses operating in various industries in many countries of the world. Due to

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the involvement of this type of business in various industries, even the pandemic created by COVID-19 easily affects and hits the family business, causing disruptions and dysfunction of business activity. The negative effects on the one hand and the opportunities offered by the pandemic situation on the other hand, make it possible for family business owners to worry about the future of the business in general and the future of the heirs in particular. This concern is followed by undertaking protective measures or remedial strategies to survive and succeed even after the end of the pandemic.

Also, due to the COVID-19 pandemic and the new situation and new norms, new methods are applied and entrepreneurs must study the market to find new methods and products. As a result, entrepreneurs will analyze the situation and different information to be pioneers and influence the new environment and conditions (Amir Emami, Shayegheh Ashourizadeh, Shima Sheikhi, Gadaf Rexhepi, 2021).

II. NEGATIVE EFFECTS, ADVANTAGES AND OPPORTUNITIES ARISING FROM COVID-19 FOR THE FAMILY BUSINESS

SMEs usually suffer from high losses, reduced sales volume, also the incapacity to fulfil contract terms, reduced number of employees, and even business closure during or after the crisis period. Crises can be very damaging to a business as they erode trust, damage company value, threaten business goals and objectives and can even lead to business failure. Contrary to some authors, existing literature suggests that small SMEs may be more vulnerable to crisis events due to lower levels of preparedness, resource constraints, relatively weak market positions and greater dependence on government and other local agencies (Engidaw, 2022, p. 5).

In addition to the economic aspect, COVID-19 has put considerable pressure on the physical and emotional well-being of family members and beyond, thus bringing tensions to the surface, evoking negative emotions (such as sadness, frustration, anxiety and fear), leading to the swing between positive and negative emotions and the risk of undermining the clarity of thought of key decision-makers in the family business (Alfredo De Massis, Emanuela Rondi, 2020, p. 1729).

In today's high-speed environment, dynamic organizational adaptation is essential for sustainable competitive advantage. Family firms must respond to the high speed of the environment and develop skills that understand the nature of changes in the economic environment and take effective steps to adapt to the new environment created (Hong Y. Park, Kaustav Misra, Surender Reddy, Kylie Jaber, 2018, p. 4).

If changing old ways of doing business is a necessity in times of crisis, the most critical question is how to change it effectively. The ability to effectively transform the business is critical not only for the company's survival but also for its recovery during and after the pandemic phase. When faced with a major crisis that requires drastic and immediate decisions, top-down decision-making may be necessary. When implementing transformations, companies have often deployed an unstructured ad-hoc strategy, rather than a well-defined roadmap process. However, a roadmap process helps the company complete transformations faster (Xishu Li, Maarten Voorneveld, Rene de Koster, 2022, p. 2).

While family businesses are seen as relatively resilient to risk, they also include some of the most innovative organizations in the world. Family business researchers have proven that many family firms tend to combine innovation with their traditions and this makes them have a superior ability but a lower willingness to engage in technological innovation. Family firms are mainly small and medium enterprises. So, when a crisis hits, family firms are vulnerable to "liability in smallness", but on the other hand, they can be more resilient, flexible and innovative than large firms (Tanja Leppäaho, Paavo Ritala, 2022, p. 2).

Smallness increases the ability to move quickly from old business models to new ones, as rapid reconfiguration of resources is easier when organizations are agile and less encumbered with entrenched structures, routines, political factions, bureaucracy and similar (Jack A Clampit, Melanie P Lorenz, John E Gamble, Jim Lee, 2021, p. 409).

Because we are talking about family businesses that are also small businesses at the same time, one of the biggest trends emerging during the COVID-19 pandemic is for small businesses to connect to the global internet and create different opportunities to solve many challenges like this last one. Indeed, for many small businesses, the Internet remains a lifeline, helping them stay afloat during the pandemic, and through digital activities or digitization, opportunities will also emerge to accelerate the return to normality (Engidaw, 2022, pp. 3-4).

The quality of an organization's response to a crisis is usually closely related to business resilience and depends on the capacity to increase improvisation, coordination, flexibility and resilience... Since smaller businesses are often more creative than large firms, this creativity serves to ensure that those businesses remain resilient in the face of adversity. As crises can also encourage the exploitation of new opportunities, they can spur innovation and the development of alternative products and services (Andreas Kuckertz, Anja Gaudig, Sebastian Hinderer, Carlos Arturo Morales Reyes, Alicia Prochotta, Kathrin M. Steinbrink, Elisabeth S.C. Berger, 2020, p. 8).

The pandemic increased the involvement of family members in the business and caused more frequent communication with stakeholders. In addition, the crisis has brought a focus on cash conservation. Research from the BanyanGlobal Survey [19] found that family businesses have reported conserving cash by reducing operating expenses, reducing dividends and delaying capital expenditures. Family businesses also used cash injections during the pandemic through debt and additional equity. Such family businesses either used this money to finance working capital or planned to use it for business acquisitions arising from the difficult economic environment (Indra Abeysekera, Kim Tien Tran, 2021, p. 3).

Moreover, a crisis usually hits the owners of family firms twice, on the one hand as private citizens and on the second round as business owners. Since the family firm represents the family heritage, effective crisis management is critical for family firms, including family SMEs, because their socio-emotional wealth is at stake. It has been shown that increased family ownership reduces the likelihood that firms follow formal crisis procedures and that family emotional attachment affects the performance of family firms during a crisis (Sascha Kraus, Thomas Clauss, Matthias Breier, Johanna Gast, Alessandro Zardini, Victor Tiberius, 2020, p. 1069).

On the other hand, managers should not be afraid but should see the COVID-19 crisis as an opportunity to rapidly engage in B2B OI (open innovation). They need to assess what internal resources they can rely on and what external resources they need to get to generate relevant innovations. To access the required external resources, it is suggested that managers embrace: 1) collaboration with business customers, as they can provide the necessary resources to develop innovations that are relevant to the final market; and 2) cooperation with competitors, as they can provide the complementary resources needed to develop innovations, which are likely to be used more easily than those of other business partners (Stefan Markovic, Nikolina Koporcic, Maja Arslanagic-Kalajdzic, Selma Kadic-Maglajlic, Mehdi Bagherzadeh, Nazrul Islam, 2021, p. 4).

Ultimately, the family business attracts both positive and negative aspects. So family firms are extremely subject to gravitating toward positive and negative extremes. More than other types of firms, they tend to be socially and perhaps economically very good or very bad. In part, we propose, that this is due to the emotional nature of family ties between owners, which can have extremely beneficial or quite destructive implications (Isabelle Le Breton-Miller, Danny Miller, 2021).

III. CONCLUSION

History shows that crises are repeated at the national and global levels, which shows the importance of studying the behaviour of entrepreneurs in times of crisis. The COVID-19 pandemic allowed us to study the decision-making process of entrepreneurs. In this study, we gain a better understanding of the decision-making process of entrepreneurs to help facilitate entrepreneurship in future crises. As was the case with COVID-19, many small businesses, whether family-owned, during this period used new techniques (depending on the type of business) to adapt their business models to the newly created climate. This includes various training, teaching and consulting with customers, the use of different platforms as well as the extensive use of social networks as in the case of restaurants that turned to online pick-up and delivery options. The different opinions coming from different researchers emphasize that every crisis creates good opportunities and you (firms) should prepare to take advantage of it. So, companies have changed their perspective, they have changed their strategy, i.e. they have changed their business model by constantly searching and improving strategies by the current needs of the market, which strategies will orient the company toward flexibility and elasticity adaptable to the new environment.

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