

Coping with shocks and renew: a case study from a multigenerational family firm

Didier Chabaud

IAE Paris – Sorbonne Business School,
Université Paris 1 Panthéon Sorbonne,
8bis Rue de la Croix Jarry,
75013 Paris, France
Email: chabaud.iae@univ-paris1.fr

Lucie BEGIN

Hedi Yezza

EDC Paris Business School, OCRE-Lab,
70 Galerie des damiers– Paris la Défense 1,
92415 Courbevoie Cedex, Paris, France
Email: hyezza@edcparis.edu

introduction

The longevity of some family businesses is a fascinating phenomenon and there are many researchers who would like to discover the well-kept secrets of the “philosophical stone” of the long-lasting firms (Ward, 1987; Daspit et al., 2016). Researches have looked at the capacity of the long-lived family firm to maintain an entrepreneurial orientation (Bégin, et al. 2010 ; Bettinelli et al., 2017; Chabaud et Sammut, 2014 ; Radu Lefebvre et Lefebvre, 2016; Zellweger and Sieger, 2010) as well as to keep a solid family organization and a good governance structure (Aronoff, 2004). Notwithstanding the indisputable contribution of the previous work, we nevertheless have to recognize that, for the most part, authors have tended to focus exclusively on the successes of the long-lasting family business and to systematically ignore the less glorious episodes of their stories. However, even the greatest cannot pretend to have been exempted from the failures and misfortunes that dot the course of their lifetime. As

Hamel and Välikangas put it, “[R]ather than go from success to success, most companies go from success to failure and then, after a long, hard climb, back to success” (2003: 55). So, if failures are part of the lifetime of all businesses, how do they fit in the "success-stories" of the long-lasting family firms? If successful family firms have also encountered some hard times, how have they been able to face the misfortunes and then climb back, whereas in front of similar events, other companies have collapsed and disappeared? To answer these questions, the concept of resilience is particularly useful as it focuses our attention on the actions and reactions made by the organization to solve the problems occurring from rare, disturbing and unexpected events (Weick and Sutcliffe, 2007; Christianson et al., 2009, Lengnick-Hall and Beck, 2009). As Chrisman et al. (2011) interestingly point it “researchers have found some variations of this organizational (family) form to be more resilient than others” (p. 1107). But, if this impressionistic view of resilience seems particularly useful in order to understand some aspects of success (and resilience) of family firms, it seems to us that we need to complete the picture: Resilience is a result – Firm survive in front of unexpected events – but resilience is also a capacity that is due to several processes that are in force in the firm. To apprehend why – and how – the characteristics of family firms may enhance their organizational resilience capacity, it will be necessary to understand the processes that enable the firm to react and survive in front of unexpected events, and not only to observe the result: Longevity of the firm.

Methodology

A longitudinal case study was therefore indicated: This approach has the advantage of allowing an in-depth analysis of the company being studied and makes it possible to consider the context in which the company has developed (Yin, 2003). It is a relatively common approach when looking at family firms (Chrisman and al., 2007) and more generally, to do management and organizations studies (Langley and Royer, 2006; Fendt and Sachs, 2008). As

is typical in historical research, we first did a careful examination of primary sources such as the archival material and other internal documents (the minutes of the annual (shareholder general) meetings and the meetings of the Board of the group and of its colonial subsidiaries, from 1932 until today, the transactions records of the “Maison Foerster” , from 1878 to 1932, some account books, the register for the transfer of shares, some confidential notes and inspection reports). Concerning the current strategy and its development, our principal informant has been the actual CEO, François Raoul-Duval, a 6th generation member (see appendix 1), in charge since 2006, and been in the firm since 1996 as head of a subsidiary, the Compagnie Française des Extraits (CFE) acquired a few years earlier. Over the last two years, we have done more than twenty interviews. As we did not tape-record the discussions as requested by our respondents, two researchers were present during the meetings so that one could take notes while the other conducted the interview. Thus, as soon as possible, the interview was transcribed into a written report, then revised, discussed and completed by both researchers. To complete this first-hand material, we added secondary sources such as books from historians on the colonial Le Havre (Malon, 2006) and on the history of overseas trade by CFAO from 1887 to 2007 (Bonin, 2008) and on the coffee trade in Le Havre (Aubourg, 2000). Nevertheless, after triangulation, these different sources were helpful to fill the gaps in our data and gave us some useful insights about the surrounding context of ERD and Co operations. Our preliminary findings and interpretations have been submitted to our informants and their feedback helped us to enhance our understanding of the context and of their business moves.

Findings

To have passed through these two major shocks and being still in business, ERD and Co. has had to be resilient.

1.1.1 Absorbing the shocks without collapsing

It is evident that the ability to absorb the shocks depends on the whole financial situation of the firm. The development of wealth over time can contribute to build an “organizational slack”, which may take different forms: reserves, capital assets, heritage, and equity. Stored up during periods of prosperity, the wealth may provide security in situations of crisis. The capacity to absorb the shock may also depend on the capacity to get up exceptional resources outside the firm. The firm's good reputation may act as an asset vis-à-vis its bankers, so that, for any equity, you can get more facilities and more confidence than if you moved elsewhere. In the words, the "house name" is worth a guarantee. The absorption capability depends also to some extent on the "patient capital" that the family members may provide to the family firm. In effect, the support of the family members and their acceptance that there will be no dividends from the business for a certain period of time are of tremendous importance for the firm's capacity to face the events without collapsing. By releasing the stress on the firm and sometimes, by investing more resources in it to compensate the losses or to maintain the organizational functioning, the family members may make the difference between to close or to continue.

1.1.2 Spring back with new strategies

The first signs that disturbances might occur in Vietnam, in 1938, the direction of ERD and Co started to prepare to prepare new strategies, a policy of diversification in France was already started when the Ivory Coast began its emancipation. Lastly, when the coffee market began declining, other activities have already been started within the family group. Together, all those actions show that the managers of ERD and Co were pursuing an entrepreneurial orientation. From this point of view, the renewal capacity appears to depend deeply on the entrepreneurial spirit that may animate a family business. This spirit is nurtured by the family's myths and values. Resilience is therefore based on a combination of shock absorption capacity and a capacity for renewal. We see here the importance of the "entrepreneurial

orientation" of the firm that permitted - in the long term - to survive by regenerating the family business. Without doubt, here the renewal capacity is surely linked to managerial values - or to a corporate culture - which promotes an attitude to continuously look for new opportunities.

1.1.3 Learning and memorizing the lessons from the experience

The lessons from history, with its highs and downs, led him to revisit what should be the job of ERD and Co. and what are its unique competencies. But this change of perception over the very nature of the family firm has not come without pain. It took the collapse of the coffee market, and it has needed to consider the enormous financial losses that followed, before the change in representations can take place. The learning capacity that sustains resilience is not specific to the family business, although it is here illustrated by this case. However, this example shows how reflection on past experiences can continue a long time after the events had happened. Simultaneously, it highlights the importance of creating a reflexive collective space where learning can take place so that the business could be regenerated in line with family values and the business.

Implications for theory and practice

Family is central in the absorption capacity of the firm, but also at the core of the renewal capacity of the firm, thanks to the values that are shared by its members. Nevertheless, looking at appropriation capacity, we observed that family can be impacted by the shocks.

In this way, the family is very important for the dynamic of the firm, as it provides a long-term context, which enables discussion and reflexivity on the history of the firm. Moreover, we provide a conceptual model of resilience that enables to take into account the processes in force in the family firm. In this way, one can consider that – together with the case study – we provide a more complete picture of resilience. Also, this case study is interesting as it permits

to capitalize on former literature on the success of family firms. Shedding light on misfortunes, crises, and unexpected events, the delivered picture of family firms is much more realistic than pictures focusing only on success-stories. If the problem is to understand how “most companies go from success to failure and then, after a long, hard climb, back to success”, analyzing the processes behind resilience will lead to better understanding of the levers of performance but – also – will lead to think about the conditions of renewal and learning of the firm. This can also be useful for family managers that wonder why their family firm is long lasting.

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