The role of entrepreneurial orientation in crisis management: evidence from family firms in enterprising communities

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Abstract

Purpose – The purpose of this paper is to explore and understand how family firms manage a crisis by applying a processual and longitudinal perspective. The objective is to find out how crisis management is approached by family firms in Sweden, Scotland and Germany, using entrepreneurial orientation (EO) as an analytical lens. Further, this paper investigates the role of the owning family in creating and solving a crisis in family firms.

Design/methodology/approach – This study follows a processual and longitudinal case study approach. Cases are drawn from Germany, Scotland and Sweden. Data collection is based on a combination of interviews with archival data such as annual reports and press clippings.

Findings – The results show that all studied firms had high levels of autonomy combined with high risk-taking. It is noteworthy, that these dimensions also help to overcome the crisis. Risk-taking and proactiveness can be useful for addressing the crisis. Under certain circumstances, even innovativeness can help to develop new offers. Autonomy is considered central in family firms and only extraordinary circumstances can be owning families make willing to compromise on it. The EO-dimensions are not all relevant at all times. Rather, family firms will emphasize the dimensions during the consecutive stages differently.

Originality/value – This study compares case companies from Germany, Scotland and Sweden and how EO contributes to their crisis management by taking a longitudinal and processual perspective. Its originality lies in the in-depth studies of companies from three countries.

Keywords Entrepreneurial orientation (EO), Crisis management, Family firms, Germany, Scotland, Sweden

Paper type Research paper

1. Introduction

Previous research has highlighted both organizational and family business aspects regarding the dynamic relationship to entrepreneurial orientation (EO). However, prior studies have not...
yet investigated the role of EO for crisis management in family firms (Laudano et al., 2018). Some studies have looked at the role of EO in recessions (Soininen et al., 2012; Laskovaia et al., 2019). These studies look at general recessive economic conditions, and the role EO plays for small and medium-sized enterprises (SMEs). In general, entrepreneurial responses have been suggested as a way to overcome crises (Korsgaard et al., 2016).

We argue that family firms represent yet another type of firms, which have peculiarities, making crisis management different in these firms compared to nonfamily firms (Boers and Henschel, 2021; Trahms et al., 2013; Cater and Schwab, 2008). Very few studies have investigated how family firms manage and overcome crises, for exceptions see (Cater and Schwab, 2008; Faghfouri et al., 2015; Kraus et al., 2020, 2013). The recent corona-pandemic caused a crisis for many family firms (Kraus et al., 2020). The pandemic has severe consequences for many regions and their SMEs (Durst et al., 2021; Ratten, 2020) of which many are family firms (Ljungkvist and Boers, 2016). In this study, we follow several family firms longitudinally (Craig and Moores, 2006) over a period of 10 years allowing us to observe not only recent crisis management but also, e.g. the financial crisis.

From prior research, we know that entrepreneurial behaviour and orientation in family firms are dependent on the owning family (Zellweger and Sieger, 2012; Nordqvist et al., 2008) and can last across generations. Other research found that entrepreneurial behaviour is personality-driven and that a crisis can induce a more rational planning approach (McCarthy, 2003). Family firms have been identified as a special context where EO can play a different role, in regard to risk-taking (Naldi et al., 2007). Also, research shows that there are generational differences in family firms (Cruz and Nordqvist, 2012; Litz and Kleysen, 2016).

A crisis, either internally or externally induced, can be a reason for entrepreneurial activity (Ljungkvist and Boers, 2016; Doern, 2016). EO is a lens, which offers new insights into firm behaviour.

The aim of this paper is to explore and understand how family firms manage a crisis by applying a processual perspective. Our objective is to find out how crisis management is approached by family firms in Sweden, Scotland and Germany, using EO as an analytical lens. Further, we aim to examine the role of the owning family in creating and solving a crisis in family firms. Finally, we will provide recommendations on how family firms can improve their crisis management practices with regard to EO.

With the overall research aim and the presented expectations, the goal of this inquiry is to present theoretical and practical contributions to the understanding of crisis management in family firms in regard to the role of EO.

Specifically, this research paper seeks to answer the following research questions:

**Q1.** How do family firms handle a crisis situation where the existence and control of the family firm are at stake?

**Q2.** What role does EO play in creating and solving crises in family firms?

The paper continues by presenting a frame of reference, methods and empirical illustrations. Then, the findings are discussed and conclusions are drawn.

### 2. Frame of reference

#### 2.1 Crisis management

Crisis and crisis management can be defined differently. However, Cater and Beal (2014) provides the following definition “a low-probability situation with significant consequences for the organization, a high degree of uncertainty and a sense of decision-making urgency”. It can be argued that a crisis becomes urgent when a situation escalates, i.e. when no action
is taken the escalation will endanger the existence of the organization. A general problem is that it is difficult to judge, which situations can become a crisis. Consequently, it is easier to define a crisis situation in retrospect. Therefore, the literature focuses on process models of crisis management, having detection or analysis as an initial step (Hong et al., 2012; Saarikko, 2009; Trahms et al., 2013). For instance, Hong et al. (2012) introduced a process model for crisis management, which includes four sequential steps, i.e. detection, occurrence, recovery and resolution.

As earlier studies have shown the literature is fragmented despite recent efforts to accumulate the current knowledge base (Trahms et al., 2013). Besides the different terms use, which have overlapping meanings, e.g. crisis management, turnaround management or restructuring, another important aspect, which has not been accounted for sufficiently, is the peculiarities of family firms. There are studies that have investigated crisis and turnaround management in family firms (Kraus et al., 2013; Cater and Schwab, 2008; Faghfouri et al., 2015). These studies show explicitly, that family firms are a distinct context. Family ownership (Brundin et al., 2014) and the co-existence of financial and nonfinancial goals (Gomez-Mejia et al., 2007, 2011) can lead to decisions, which might appear risky because owning families are willing to give up current risk profile for potential socioemotional gains (Boers et al., 2017). Therefore, it is reasonable to investigate the peculiarities of family ownership by taking a family firm perspective on crisis management. Eventually, there is reason to believe that in each phase of the crisis management process, there will be different solutions, depending on the cause and consequences of the crisis, which has also been suggested by other authors (Duarte Alonso, 2015; Ratten, 2020).

Hong et al. (2012) introduced a process model for crisis management, which includes four sequential steps, i.e. detection, occurrence, recovery and resolution. In the first stage, early warning signals have to be detected. When the crisis is there, immediate actions need to be taken to overcome the consequences. In the recovery stage, efforts are undertaken to recover from the crisis and go back to the non-crisis mode. The resolution stage aims at coming back to normal as of before the crisis (Hong et al., 2012). This requires learning from the crises and identifying the root cause of it which can become critical if the crisis originates from the owning family.

Hong et al., base their model on the earlier work of Pearson and Mitroff (1993), who also suggested a four-stage model, but they emphasize the processual character by highlighting learning as a mode, which connects recovery back to signal detection and makes it a closed process. They (Pearson and Mitroff, 1993) argue that this learning process is very important; “Learning, the last phase of crisis management, refers to adequate reflection and critical examination of the lessons learned from experiencing a crisis” (Pearson and Mitroff, 1993).

In family firms, there is the risk that learning is hindered by the dominant family culture and related family inertia (Chirico and Nordqvist, 2010). This is the case when family inertia is based on paternalism underpinning the family firm culture, whereas EO functions as an antidote to family inertia. In general, family firms possess the prerequisites of being entrepreneurial, especially those competing successfully on a market, which includes at times responding and handling crises (Ramadani et al., 2020).

2.2 Entrepreneurial orientation

A large share of the EO research measures entrepreneurial activities at a specific point in time, thereby implying a static approach (Zellweger and Sieger, 2012). However, as “EO refers to the strategy-making processes that provide organizations with a basis for entrepreneurial decisions and actions” (Rauch et al., 2009), it has a dynamic posture, capturing practices, actions and contexts. Thus, a number of studies have highlighted the dynamic nature of EO, implicitly showing the implications of change over time.
(Wiklund and Shepherd, 2005; Covin et al., 2006). However, Zellweger and Sieger (2012) specifically investigated how the subdimensions of EO change over time in long-lived family firms. They argued that family firms must continuously adapt their EO profile and that generational change significantly impacts the EO’s sub-dimensions. Thus, it has been suggested that the level of internal autonomy (that is, the empowerment of individuals and teams within the organization) increases among successful family firms over time (Nordqvist et al., 2008). Similarly, it seems that internal innovativeness (new managerial structures and processes) fluctuates over time. However, external innovativeness (new products, markets and technologies) remains low, increasing when generational change occurs (Hoy, 2006).

In regard of the different stages of managing an organizational crisis (Hong et al., 2012), there is reason to believe that firms will use different entrepreneurial measures to overcome a crisis (McCarthy, 2003; Ramadani et al., 2017). Others refer to entrepreneurial activities, which are embedded in the owning family and the business, helping them to draw on these activities (Ramadani et al., 2020). Considering different components of EO, they will be of central value to the organization. Therefore, it is necessary to define them.

The first dimension is autonomy and refers to the ability and determination of self-directed decisions and actions (Zellweger and Sieger, 2012). Thus, it “refers to the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion” (Lumpkin and Dess, 1996). This criterion is important for family firms as they are interested in being autonomous to others (Brundin et al., 2014). Moreover, Nordqvist et al. (2008) emphasize autonomy in family firms can be divided into internal and external aspects, where internal autonomy refers to teams and individuals within the organization while external autonomy relates to the relationship to external stakeholders such as shareholders and suppliers. Regarding innovativeness, it highlights a firm’s propensity to produce and support new ideas and creativity, resulting in the introduction of new products, services or technological processes (Rauch et al., 2009; Lumpkin and Dess, 1996). Distinguishing between product-market innovation and technological innovation is a central feature.

Following Miller and Friesen (1978), risk-taking relates to financial risk; the possibility of a negative outcome or loss (Boermans and Willebrands, 2017; Brighetti and Lucarelli, 2015). Baird and Thomas (1985) highlight three kinds of strategic risk, which largely relate to financial risk, namely, “venturing into the unknown”, “committing a relatively large portion of assets” and “borrowing heavily”.

Proactiveness relates to the importance of seeking and acting on opportunities and is a vital part of EO (Zellweger and Sieger, 2012). Thus, proactiveness implies a forward-looking perspective where the entrepreneur acts in anticipation of future demand (Dess and Lumpkin, 2005). The concept emphasizes the first-mover advantage and thereby the introduction of new products and services (Rauch et al., 2009). Therefore, seizing new opportunities implies that “a proactive firm is a leader rather than a follower” (Lumpkin and Dess, 1996, p. 146). Instead of focusing on how a firm responds to market opportunities, competitive aggressiveness focuses on how a firm challenges and reacts to competitors (Zellweger and Sieger, 2012). Hence, bold market share goals, price-cutting or aggressive spending on customer service and manufacturing capacity are examples of how industry rivals can be outperformed (Venkatraman, 1989).

Essentially, EO-dimensions are central to understanding the entrepreneurial process, although they “may occur in different combinations, depending on the type of entrepreneurial opportunity a firm pursues” (Lumpkin and Dess, 1996, p. 150). However, there is an ongoing debate whether the EO-concept is an attitudinal or a behavioural
construct or a mix of both, implying measurement misspecifications (Alderson, 2015). Furthermore, “extant EO research aggregates behaviours at the firm level without capturing the processes that lead to this outcome” (Randerson, 2016, p. 582). Thus, EO research needs to provide a more holistic approach, seizing the idiosyncrasies of entrepreneurial processes and their development over time (Randerson, 2016). For instance, accounting for changes in preferences and desired outcomes, risk-taking, innovation and proactiveness may change over time (Miller, 2011). Thus, an opportunity cost that before appeared as unacceptable, could later, by another entrepreneur with a different social identity, be regarded as an acceptable risk-taking (Miller and Le Breton–Miller, 2011).

A large share of the EO research measures entrepreneurial activities at a specific point in time, thereby implying a static approach (Zellweger and Sieger, 2012). However, as “EO refers to the strategy-making processes that provide organizations with a basis for entrepreneurial decisions and actions” (Rauch et al., 2009, p. 762), it has a dynamic posture, capturing practices, actions, as well as contexts. Thus, a number of studies highlight the dynamic nature of EO, implicitly showing the implications of change over time. For instance, Wiklund and Shepherd (2005) describe how EO is affected by internal firm characteristics, especially the relationship between applicable knowledge resources and the ability to discover and exploit opportunities. Meanwhile, Covin et al. (2006) point to how the strategic process affects EO. Furthermore, research highlights the relationship between EO and organizational factors such as network capabilities (Walter et al., 2006), access to capital (Wiklund and Shepherd, 2005), organizational structure (i.e. that entrepreneurship has a negative relationship to processes of organizational centralization) (Covin and Slevin, 1991) and top management characteristics (e.g. a more autocratic top management style advocates major growth-oriented decisions) (Covin et al., 2006; Lumpkin and Dess, 1996). However, Zellweger and Sieger (2012) specifically investigate how the sub-dimensions of EO change over time in long-lived family firms. They argue that the family firm continuously needs to adapt its EO profile and that generational change significantly impacts the EO’s sub-dimensions. Thus, the level of internal autonomy (i.e. the empowerment of individuals and teams within the organization) is suggested to increase among successful family firms over time (Nordqvist et al., 2008). Similarly, it seems that internal innovativeness (new managerial structures and processes) fluctuates over time.

Recently, the research emphasizes the processual character of EO, which suitable for family firm research (Ljungkvist et al., 2019; Randerson, 2016; Zellweger and Sieger, 2012). EO can be viewed as a strategic decision-making logic, which is particularly relevant in a crisis (Laskovaia et al., 2019).

As shown, previous research highlights organizational and family business aspects regarding the dynamic relationship to EO. However, there is no study that investigates how EO changes over time from a founder’s perspective including the impact of different owners.

2.3 A family firm perspective

There is still no agreement on how to define a family firm in the literature (Steiger et al., 2015; Sharma, 2016, 2004; Litz, 1995). In this paper, we follow (Chua et al., 1999) to define a family firm as a firm, which is owned and controlled by a family and a generational ownership transfer is intended. Family ownership and control influence how a firm behaves. This is, for instance, highlighted by Alderson (2015) pointing to their peculiarity and implications for crisis and crisis management.

Beginning with the first sibling rivalry between Cain and Abel, dysfunction and conflict have been present within families, creating the age-old problems of jealousy, bitterness, lack of forgiveness, perceived unfairness, and battles for parental attention. (2015).
This quote illustrates that crisis and its management in family firms may require further and other attention than in nonfamily firms because the family adds another dimension to the organization (Tagiuri and Davis, 1996). This has also been noted in recent family business research (Haag and Sund, 2016). Haag and Sund (2016) report that divorce can become a crisis both for the family and the business. Alderson (2015) describes the potential for conflicts in family firms, which may or may not result in a crisis. It is, therefore surprising how little attention extant research has paid to crises in family firms. Consequently, we can develop a typology of crisis in family firms.

As Table 1 shows, there are at least three dimensions of a crisis, which have to be considered (Laskovaia et al., 2019; Haag and Sund, 2016; Trahms et al., 2013; Cater and Schwab, 2008).

Cater and Schwab (2008) found in their study that family firms use standard strategies, i.e. infusion of external management expertise and retrenchment. However, they found additional family firm-specific characteristics, i.e. strong ties to the family firm, internal orientation, altruistic motives and long-term goal orientation.

Recently, Faghfouri et al. (2015) report from a German study on SMEs that family firms have to a lesser extent formalized crisis procedures ready than nonfamily SMEs. The result is, however, moderated by the role of supervisory boards and family ownership, i.e. those family firms that have a supervisory board also have formal crisis procedures, whereas those who do not have a supervisory board have significantly lower crisis readiness in regard to formalized crisis procedures.

We argue that EO will be differently affected in a family firm when the crisis is internal or external to the owning family. Table 2 provides a systematic overview of how EO will be affected by family firms when facing a crisis.

The complexity of family firms is commonly expressed with the three-circle model of family, ownership and business (Tagiuri and Davis, 1996). The concept of EO is seen as an overarching frame, which is influencing the three circles. Relating this to a process model of crisis management (Hong et al., 2012) illustrates the complexity of crisis management in family firms because it has to account for these dimensions as it is shown in Figure 1 below.

### 3. Method

As Alderson (2015) underlines, owning families can be reluctant to discuss a crisis situation in public, which makes access an important criterion for conducting this research. Therefore, this study draws in part on earlier studies of the involved authors and on publicly available data sources. All selected family firms experienced a crisis situation including both externally and internally, i.e. family induced crises.

This study follows an exploratory qualitative approach to understanding how family firms cope with a crisis and how crisis management is organized in small family firms. More precisely, a multiple case approach was chosen (Eisenhardt, 1989). According to Eisenhardt and Graebner (2007), the use of multiple cases is effective for theory development because their replication logic increases the chance of producing more robust, parsimonious and

<table>
<thead>
<tr>
<th>Origin of crisis</th>
<th>Severity</th>
<th>Continuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside family</td>
<td>Temporarily</td>
<td>Discontinuous</td>
</tr>
<tr>
<td>Outside family</td>
<td>Permanent</td>
<td>Continuous</td>
</tr>
</tbody>
</table>

**Source:** Authors’ own, inspired by Laskovaia et al. (2019)
<table>
<thead>
<tr>
<th>EO-dimension</th>
<th>Implications: crisis origin inside the family</th>
<th>Implications: crisis origin outside the family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autonomy: ability and determination of self-directed decisions and actions</td>
<td>Lower, due to crisis in the owning family</td>
<td>High autonomy gives owning family more opportunity to act</td>
</tr>
<tr>
<td>Innovativeness: firm’s propensity to produce and support new ideas and creativity, resulting in the introduction of new products, services or technological processes</td>
<td>High family involvement leads to lower internal and external innovativeness</td>
<td>External crisis spurs innovativeness as a means to overcome the crisis</td>
</tr>
<tr>
<td>Risk-taking relates to financial risk, the possibility of a negative outcome or loss</td>
<td>Owning a family is interested in reducing risk-taking, as the financial and socioemotional risks are high</td>
<td>Risk-taking is higher than in crisis inside the family</td>
</tr>
<tr>
<td>Proactiveness relates to the importance of seeking and acting on opportunities</td>
<td>Lower, as opportunities within the owning family are more difficult to realise</td>
<td>Based on severity, a temporary crisis can lead to more proactive behaviour</td>
</tr>
<tr>
<td>Competitive aggressiveness focuses on how a firm challenge and reacts to competitors</td>
<td>Depending on the family structure, competitive aggressiveness is less affected</td>
<td>Depending on the financial situation, competitive aggressiveness can contribute positively to a crisis resolution</td>
</tr>
</tbody>
</table>

**Source:** Adapted from Cater and Schwab (2008), Ljungkvist et al. (2019)
generalizable theory. Moreover, we designed the study in a way so that it fits the process structure of crises (Langley, 1999) and by focusing on practices/activities initiated by the owners/family members.

Case study research has shown to be a suitable approach to addressing the complexity in family businesses (De Massis and Kotlar, 2014; Leppaaho et al., 2016), not least in the context of crisis management (Hong et al., 2012). The study draws on the conceptual SME crisis management framework by Hong et al. (2012).

For the data collection we combined the following two sources of data:

1. Analysis of annual reports, press clippings and official databases.
2. Interviews with four companies from Sweden, Scotland and Germany.

Data were collected using semi-structured interviews. This type of interview is suitable when the planned study includes an exploratory element (Saunders et al., 2009). An interview guide supported the interview process. The focal topics of interest were specified at the outset of the study, that is they were derived from the extant literature (Perry, 1998). In line with the process focus taken in this study, the interview guide had three main sections. In the first section, questions related to the emergence of the crisis are asked. The second section addresses how the EO concept has shaped and influenced crisis management while the third section investigates the interrelationship of ownership, family and business on crisis management.

The overall approach to data analysis followed the ideas of thematic analysis. Thematic analysis can be understood as a search for topics that appear to be important to the understanding of the phenomenon in focus (Fereday and Muir-Cochrane, 2006). This analytical approach helps in data reduction by segmenting, categorizing and summarizing relevant concepts within the data set being examined (Ayres, 2008). The data analysis process began by transcribing the recorded interviews. Two researchers conducted the transcriptions, which allowed these persons to become familiar with the data. The
researchers took notes during this process, these notes assisted with most of the initial data interpretations. Once the transcripts were produced, the same two authors deductively coded the data generated. Thus, the first step was to identify all data related to a list of predetermined topics that were derived from extant literature and covered in the interview guide. To increase the reliability of the codings (Miles and Huberman, 1994), they were discussed by the two coders in an iterative process and adjusted, as appropriate. Common features and differences have been studied in terms of factors such as the personality and leadership style of the owner and relationship to the construct of EO (Nordqvist et al., 2008; Zellweger and Sieger, 2012; Ljungkvist et al., 2019).

The researchers have conducted 12 semi-structured interviews with owners and senior managers operating in family firms-based in Germany, Scotland and Sweden covering a timespan of nearly 10 years (Tables 3 and 4), making the study longitudinally (Craig and Moores, 2006; Leonard-Barton, 1990). Regarding the geographical location of the case firms, nearly all firms are from different geographical regions in the respective countries, covering both urban and rural areas. Therefore, we cannot control for the effect of urban or rural areas in this sample. This is not a problem, as for our research we were more interested to examine how the family firms approach crisis management and how the EO concept will influence this relationship. The interviews on average lasted for about 60–150 min.

Other archival data sources were adopted such as financial statements, internal reports, documentation taken from databases and websites. We triangulated our interview data with the archival data and converged data to understand crisis management in its complexity (Culasso et al., 2018; Dana and Dana, 2005). The internal validity of our research was improved by identifying some plausible relationships between variables and findings; external validity required an analytical generalization of the crisis management rather than a statistical generalization of the phenomenon (Yin, 2008). We tried to avoid subjective judgements, preferring a well-considered set of crisis management measures for family firms and the EO concept, which have been already used in the literature (Hong et al., 2012; Trahms et al., 2013; Kraus et al., 2013; Faghfouri et al., 2015; Eggers et al., 2013, 2020; Kottika et al., 2020). We then compared our findings with the initial crisis management model by Hong et al. (2012). Table 3 shows our timeline of data collection and use of data sources.

4. Empirical illustrations
Based on the identified crisis practices, this research further verifies, refines and extends the crisis management model by Hong et al. (2012). Specifically, this research categorizes all identified Family firms’ crisis management practices into four major clusters, namely, detection, occurrence, recovery and resolution. According to Pedersen et al. (2020), the clusters of detection and occurrence can be assigned to the pre-crisis phase, whereas the clusters of recovery and resolution are concerned with post-crisis phases. Then, this research assigns these major tasks into different stages of the general crisis management model and develops a refined family firm’s crisis management model. Thereby, we also highlight the roles of EO dimensions for overcoming a crisis. The dimensions of EO and

<table>
<thead>
<tr>
<th>Companies</th>
<th>Interviews</th>
<th>Archival sources</th>
<th>Time period covered</th>
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<tbody>
<tr>
<td>GER1</td>
<td>3</td>
<td>15</td>
<td>2010–2020</td>
</tr>
<tr>
<td>GER2</td>
<td>4</td>
<td>10</td>
<td>2010–2020</td>
</tr>
<tr>
<td>SCO2</td>
<td>3</td>
<td>9</td>
<td>2010–2020</td>
</tr>
<tr>
<td>SWE2</td>
<td>3</td>
<td>23</td>
<td>2010–2020</td>
</tr>
</tbody>
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Table 3. Timeline of data
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<tr>
<th></th>
<th>GER1</th>
<th>GER2</th>
<th>SCO2</th>
<th>SWE2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Respondents</strong></td>
<td>Owner managers</td>
<td>Owner manager</td>
<td>Owner managers</td>
<td>Owner manager</td>
</tr>
<tr>
<td><strong>Industry sector</strong></td>
<td>Office equipment</td>
<td>Logistics</td>
<td>Architecture</td>
<td>Garage</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td>10</td>
<td>20</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td><strong>Year of foundation</strong></td>
<td>1950</td>
<td>1969</td>
<td>1999</td>
<td>1970</td>
</tr>
<tr>
<td><strong>Family generations involved in business</strong></td>
<td>3rd</td>
<td>2nd</td>
<td>1st and 2nd</td>
<td>3rd</td>
</tr>
<tr>
<td><strong>Main products</strong></td>
<td>Office equipment</td>
<td>Transports</td>
<td>Domestic building projects</td>
<td>Garage services</td>
</tr>
<tr>
<td><strong>Main customers</strong></td>
<td>Business customers</td>
<td>Business customers</td>
<td>Private clients</td>
<td>Private and corporate customers</td>
</tr>
<tr>
<td><strong>Crisis causes</strong></td>
<td>Financial distress due to death of owner-manager (family)</td>
<td>Financial distress due to financial crisis and market changes (business)</td>
<td>Financial distress due to weaknesses in management control systems (business)</td>
<td>Financial distress due to burnout of owner-manager (family)</td>
</tr>
<tr>
<td><strong>Crisis results</strong></td>
<td>Business rejuvenation. A few years later, the profitable parts of the business had been sold to competitors</td>
<td>Innovation enhancement</td>
<td>Innovation enhancement</td>
<td>Bankruptcy and taking in new minority shareholders. 2020, minority shareholders have been bought out</td>
</tr>
<tr>
<td><strong>COVID-19 crisis effects</strong></td>
<td>The remaining parts of the firm are still in liquidation</td>
<td>Dropping of sales volume by more than 35%</td>
<td>Lack of new projects due to the closer of the property market during the COVID-19 pandemic</td>
<td>Business is viable and back on track. Fewer older customers and slight delay of services</td>
</tr>
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Table 4. Company information in enterprising communities
crisis management need to be seen within the firm-specific context, which can be both local and global (Johannisson, 1990). The businesses are embedded in their communities both locally and globally. As SMEs, they serve their local community and they are affected by global development, e.g. the Corona-pandemic (Ratten, 2020).

Our investigated enterprises have looked for associations both at the local and global level that can support them in their entrepreneurial activities. This involves weekly meetings at the local level at so-called business networking meetings, where each entrepreneur briefly presents his or her company with regard to the range of services offered to obtain additional orders from this network through contacts and recommendations. This has proven to be an important source of new orders, especially during the current pandemic.

At the global level, the companies studied are often members of so-called SME and family business associations that provide more assistance on central issues such as financing, taxes, exports and financial support opportunities in the current pandemic. Our research has shown that the sample firms have a very good network and actively use it to adjust and manage their business model. These family business associations also provide training and seminars on a regional level to bring together the individual local communities to lift their growth prospects and to support discussions with like-minded family firms. Our case firms find this especially useful for updating and formalizing the crisis management procedures.

### 4.1 Detection

In our cases, we identified two companies where the crisis originated from the owner family, i.e. GER1 and SWE2 and two cases in which the crisis originated in the business outside the owning family (GER2 and SCO2). In former cases, a family member disappeared and caused trouble for the family and the business. Even though in the latter cases, the crisis originated from the business dimension, all firms are controlled and managed by the owning families. GER1 was facing big liquidity problems. As the daughter stated as follows:

In taking over the firm I faced two big problems. Due to my father’s authoritative leadership, some of our employees didn’t trust me and quit their job. So, I had to find suitable replacements for important job duties. And the other big issue was that I had no industry expertise and was in need to search for and develop a sound business strategy.

To get more industry expertise in this area she joined the local trade organization of office equipment retailers, tried to speak to competitors and attended trade fairs in the region.

The family business GER2 was very hard hit by the Global Financial Crisis (2009–2011), which emerged following the high competition in this sector. To avoid lay-offs, the workforce agreed to have pay cuts and shorter working hours to save the business. Another critical issue is the aging workforce and to be an interesting employer to get the right employees with good qualifications. During the last financial crisis, the owner-manager of

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<thead>
<tr>
<th>EO dimensions</th>
<th>Crisis phases</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Detection</td>
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<tr>
<td>Innovativeness</td>
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<tr>
<td>Risk-taking</td>
<td>All</td>
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<tr>
<td>Proactiveness</td>
<td>None</td>
</tr>
<tr>
<td>Competitive aggressiveness</td>
<td>None</td>
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Table 5. EO and crisis phases
GER2 had the idea to bring together the managing directors of the small logistic firms in his local community. He stated: “in our region, we have a lot of smaller logistic firms, which have to cope with similar financial problems. I knew this from discussions with some familiar firms. My idea was to build a close and informal network where we can freely discuss and share our solutions and problems. This was very beneficial for me. On the one hand, I have learned I’m not alone, other logistic firms had the same problems. This helped to improve my moral. On the other hand, we later formed a virtual logistic network to join our forces. For example, working together on a larger logistic project we could not manage as a single firm”.

As the focus is on growth and the family business SCO2 will grow to 20 employees by 2020. Therefore, the owner-managers made the decision to expand their customer and service portfolio. They will now concentrate more on larger and sophisticated building projects. This shows risk-taking behaviour. As a result of this market switch, they hired new employees. The managing director explained further: “[…] some of the new projects we have taken in were really challenging in terms of work specification and budgets. In the end, we finished many projects with a delay and cost overruns, which resulted in a shortage of cash”.

4.2 Occurrence
All cases have some joint leadership where multiple generations are involved. This makes it easier for all the owning families to manage the crisis, even if the crisis may have occurred within the owner family as in GER1 and SWE2.

In SWE2, the third-generation owner-manager had a burn-out, which had severe consequences for handling the business. To overcome the high competition the family firm GER2 decided to switch the target market. Therefore, the son was setting up a virtual logistic network to combine the strength of the small logistic firms in the local region. With regard to business strategy, GER2 also expanded its service portfolio, as the older son explained as follows:

To avoid the strong competitive pressure we extended our service portfolio and offered a web-ordering system where customers can track online their service orders. We also offer additional services and logistic consulting.

The firm has recovered from the financial crisis and because of its extension of the service portfolio, sales have increased. This is a clear innovative move, the company instead of reducing staff, innovated the business model. According to the new business model, the son and his father established contingency planning, covering replacement regulations for the board and key personnel in the firm.

As this innovative move by GER2 proved successful, the son did such an innovative action again during the COVID-19 crisis as he explained as follows:

The trade fair construction firms, one of our main type of customers, did cancel their transport orders as some major fairs in Germany and Europe were cancelled by the end of January and in February. At the end of February, we received the second wave of cancellations from trade fair construction firms. In numbers, this means 50 lorry orders per day were left. Overall in the transport sector, we saw a huge decline in orders due to cancellation of fairs, delays in the value chain by our customers and so on[…] The result was a significant decrease in sales volume (35% for the year 2020), as one of their major business lines has come to a complete standstill. GER2 experienced major disruptions in the value chain, which resulted in delays for completing the orders. Due to the lockdown, a lot of their customers send their staff to the home office, therefore, GER2 was not able to

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deliver the goods to the customer, as no one was there to dispatch the delivered goods. This resulted in more rest time for his driver of the lorries and increased the costs for GER2 further.

To overcome this sales decline, GER2 developed a new business idea to get new orders to cover for the decline in the major business line. The firm owns a warehouse, which was nearly empty at the beginning of 2020. As some major customers in their area had problems with storing the delivery of goods as some ordered more than usual to cover for the longer delivery time, GER2 rented out there space in the warehouse and organized the deliveries from and to customers. Furthermore, they also offered value-added services such as cleaning, re-packing of the warehouse items for these customers.

4.3 Recovery

In this phase, some companies rehire their old employees. The owning families trust their former employees and are also willing to make it up to them after having overcome the biggest hurdles in e.g. GER2 or SWE2. In SWE2, the owner-manager asked local entrepreneurs for help. These ties help further to connect to relevant networks and making us of established relationships (Cennamo et al., 2012).

To further support the recovery of the firm and to strengthen the capital base in the current COVID-19 pandemic, both family owners (GER2) were injecting private money into the firm. The two sons sold shares from their private investment portfolios to top up the liquidity in the firm. GER2 did not ask for public financial support in the crisis, they felt they have to use private money first, bevor asking for government assistance.

However, in a crisis, it might be necessary to give up some autonomy for the company SWE2 to survive. He went to local entrepreneurs “I told them my problem. I must protect the business”. He continues “During the reconstruction competitors will look at the company, so I understood that there will be bids, on the client base, the name and business. Then, came the two largest family businesses in town actually helping us. In addition, it was no big money, so it was a reasonable bet. However, what they did was they bought the estate. My dad then became the majority shareholder. So, he is the majority owner today and in a period of transition”.

This exemplifies how a firm is locally embedded and can draw on this embeddedness for finding a solution to overcome the crisis.

4.4 Resolution

Due to ownership control of the owning families, the families could contribute to a resolution of the crisis. In other words, autonomy is important for the owning families, as it gives them the opportunity to act (Nordqvist et al., 2008; Brundin et al., 2014; Ljungkvist et al., 2019). This is very evident in the family leadership, involving several family members and generations.

This was evidenced by the following statement of GER2” What helps me in the current Corona crisis is my family. My mother is now in her 70s and tells me we mastered the financial crisis in 2009/2010, the loss of a subsidiary in East Germany, we will pass this crisis as well. My brother is also supporting me morally and financially in managing the firm”.

The firm GER1 is a good example to show how family autonomy can threaten the existence of the firm. The family members did act in the same direction, namely, supporting this business with leadership resources. To recover the business of GER1, the managing director (daughter) successfully re-designed the business model of the firm. She set-up a new online-shop with a bigger range of office products and services the customers can book
online. Especially the online booking of maintenance services was well received by the customers. According to the daughter of GER2 as follows:

“[...] to be successful it is important to get the commitment of the employees and the backing of the family members as well. I showed my employees even as a young woman with no industry experience, one can be successful and turnaround the business”.

A few years later the daughter was planning to have a baby, and therefore, was looking for some more support from the other two family members. The mother was now in her retirement age and her brother was not interested in taking over more responsibility in the firm. As they did not find a solution, the family then decided to sell the profitable part of the firm – the online shop – to one of his competitors and the remaining parts of the company are still in liquidation. The daughter then went back into an employed job as a tax consultant.

SWE2 even shows signs of risk-taking in the resolution phase. After the business went into insolvency, the third-generation owner-manager had to take in minority shareholders, to continue the business. However, he felt that they had different interests and it was only a short-term solution. With the help of his sister-in-law, he bought-out the minority shareholders in 2018 and the ownership returned to his family.

An important empirical finding relates to the fact that leadership in almost all companies was shared in the family and between generations. This reminds of shared leadership (Cater and Justis, 2010; Zapata-Barrero and Rezaei, 2020). Shared leadership is a recent phenomenon, which has also been described with regard to succession in family firms (Haag, 2012). However, with regard to crisis management, this shared leadership was not always a voluntary choice. In SWE2 and GER1 family members had to step in as a consequence of a crisis situation, which originated from the family dimension. Also, SCO2 fits into this line of reasoning. Moreover, this exemplifies the local embeddedness of the firms. The family is the closest community one can find.

5. Discussion
The table below summarizes the development of EO for the studied companies as a consequence of the crisis.

In the detection stage, the EO-dimensions play no explicit role. All firms are family-controlled thereby possess a high degree of autonomy. This autonomy is, however, embedded in a local context. However, it is necessary to emphasize greater internal autonomy than external autonomy (Nordqvist et al., 2008), as all firms are rather small and thereby more vulnerable (Duarte Alonso, 2015; Falkner and Hiebl, 2015; Heinze and Henschel, 2020; Henschel and Durst, 2016). The reactive leadership style is concerned with an “event-driven” strategy; the firm lacks a coherent strategy on how to deal with a crisis. None of the companies shows innovative behaviour at this stage. The managing directors of the firm show strong reservations against external help and have less innovation potential (Smallman, 1996; Miles and Snow, 2003), which exhibits a high level of autonomy. SWE2 shows already in this stage a high level of risk-taking, which is then leading to a crisis when the owner-manager is not any longer available. In retrospect, no family firm showed proactive behaviour and competitive aggressiveness.

In the occurrence stage, the cases of GER1, GER2 and SWE2 are very good examples of the more proactive leadership mind-set. The two German firms are a member of the small business association and attending regular seminars. They use this as a platform for discussions with other managing directors to get ideas on how to adopt issues for their own business. In this way, the firms develop their own early warning systems to identify critical
company developments in time and to develop strategies on how to deal with such events. As SWE2 highlight, networking and engagement with customers can function as an early warning system as well. The focus in the occurrence stage is on market diversification and governance issues, highlighting proactiveness and competitive aggressiveness. GER1, GER2 and SWE2 did expand their market with diversification and a complete makeover of their business strategy. In the crisis-management process, the main focus is on the occurrence stage, the company fails to anticipate the crisis; no plan or contingency planning is established (Hong et al., 2012). The firm did not consider risks very comprehensively (Kraus et al., 2013), indicating a high level of risk-taking, which is associated with entrepreneurial behaviour (McCarthy, 2003; Ramadani et al., 2020).

According to the literature, the most common immediate measure in the occurrence stage is cost reduction (Hong et al., 2012; Kraus et al., 2013). The majority of our case firms did operate some cost reduction measures. However, it is interesting to note that one firm, namely, GER1 did operate in the complete other direction and made big investments to overcome the current crisis and to remodel their business model as well. This can be seen as a very proactive behaviour, which contradicts with the general view in the literature, that family firms show a more conservative behaviour and more resistant to organizational change (Chirico and Nordqvist, 2010).

In the recovery stage, autonomy is important. SWE2 gives up some of its autonomy by taking in some external shareholders. This reduces their external autonomy (Nordqvist et al., 2008), albeit not completely, as the majority ownership stays with the owning family. Also, all firms draw on their family resources, e.g. assigning central tasks to family members, could be interpreted as high risk-taking.

In the resolution stage, nearly all firms were engaged in innovating their technical infrastructure. The innovating activities cover things such as the implementation of a knowledge management system, improvements in the management and cost accounting system, introducing formal project management, and the implementation of new enterprise resource planning systems and better governance and oversight structures (Durst and Henschel, 2014). It was also interesting to note that SCO2, GER2 and SWE2 see a high need for developing and testing their crisis management plans based on the experienced crisis events and measures taken. This is a clear indication that learning from a prior crisis will play an important role in the further formalization of crisis management in family firms (Pearson and Mitroff, 1993).

Even firms with small personnel and financial resources such as SCO2 or SWE2 show a high willingness for further improvements in crisis management, which is indicated by high proactiveness and competitive aggressiveness. SWE2 shows high risk-taking in this phase when deciding to buy-out the minority shareholders with the money from the sister-in-law.

The framework as depicted in Figure 2 is derived by bringing together the theoretical and empirical findings and highlights the main actions in the crisis management process of family firms, namely, from the emergence of the crisis until the resolution of the crisis.

In the stage “Quick reactions to stabilize” the primary focus seems to be working on damage control. The crisis has occurred, for example, a major accident in the production area or a pandemic. To keep the business running the companies are into retrenchment. As soon as the first shock phase is over, the insight develops that the situation must not only be accepted but also that appropriate proactive measures must be taken as well (Croivini, 2019). Then, the family firm will come to terms with the current situation and its consequences for the firm and based on that the family firm has started initiating several pro-active measures. In the proposed framework, it means the stage “adapting by innovating” has set in, if one goes back to Wenzel et al. (2020) four strategic responses to a crisis (retrenchment,
persevering, innovating and exit), it would be “innovating”. The findings suggest that the family firms have started many different pro-active measures to adapt their business to the current situation and which ideally will help them to come out of the crisis in good shape. The last phase of the framework, which is “mobilized and strengthened” refers to the period after the crisis. As suggested by the findings, the firms seem to dominantly be in a positive mood and hope that the measures introduced will help them to emerge stronger from the crisis. As indicated by the ascending arrow, it is assumed that the crisis has led the companies and the family members to acquire new competencies within a short time or allowed them to further develop existing activities and competencies.

All these above-mentioned responses are accompanied by making sure that the family firm has a good balance between business, family and ownership so that the necessary energy is available to meet the current and future challenges that have arisen or will arise from the crisis (Crossan et al., 2018). Additionally, the firms try to make sure that they continue to be a careful and supportive employer to help the latter better deal with the uncertainty created by a crisis. Thus, there is a permanent and strong link between responses, EO and social cohesion (Dana, 2018).

5.1 The importance of local context for entrepreneurial orientation and crisis management in family firms

As we have described in prior sections, the local context has an immediate impact on both EO and crisis management in family firms (Duarte Alonso, 2015; Ljungkvist and Boers, 2016). Firms are embedded in a local context, which can both hinder and contribute to crisis management. In a local environment, which is signified by an entrepreneurial culture, it becomes more “natural” to act accordingly in crises situations (Ljungkvist and Boers, 2016). In particular, networking in the local (and global) context is essential for small entrepreneurs, which needs to be combined with entrepreneurial activities (Johannisson, 1990).
6. Conclusions

This study combines the literatures of crisis management and EO in family firms and contributes to these literatures.

There are no empirical studies on crisis management practices in Swedish, Scottish and German family firms, following a broader perspective rather than dealing with isolated topics. In particular, the connection to EO and the local context have not been considered in the prior literature.

This research makes the following specific contributions:

- The attitude of the managing family director towards formal crisis planning plays an essential role in how systematic a crisis is handled.
- All activities are embedded in a context, which can both hinder and contribute to crisis management in family firms.
- Our results show that all studied firms had high levels of autonomy combined with high risk-taking. It is noteworthy, that these dimensions also help to overcome the crisis. Risk-taking and proactiveness can be useful for addressing the crisis. Under certain circumstances, even innovativeness can help to develop new offers. Autonomy is considered central in family firms and only extraordinary circumstances can own families make willing to compromise on it. The EO-dimensions are not all relevant at all times. Rather, family firms will emphasize the dimensions during the consecutive stages differently.
- Owning families of firms need to realize that the success of crisis management in their organizations is almost exclusively depending on them, whether they are willing to “go the extra mile”, e.g. by investing new money or helping out with family resources, financial and non-financial, to manage a crisis situation.

As with every study, our work has also some limitations, which provides avenues for further research. In particular, it would be interesting to investigate whether our findings are applicable for family firms in other cultural contexts (Brustbauer and Peters, 2013; Sakkthivel and Sriram, 2012). This study offers explorative findings of how family firms manage crisis situations. Further research should continue investigating crisis management in different family firms and in different contexts. From a management perspective, it might also be interesting to further explore the link between crisis management and risk management to see whether we can develop a comprehensive framework or high-level structure to combine the crisis management and risk management activities (Heinze and Henschel, 2020). However, risk management needs to allow entrepreneurial activities and not limit these.

6.1 Implications for research, practice and society

With our longitudinal research approach covering more than 10 years in the company’s development, we were able to uncover the varying degrees of EO dimensions and its interplay with the crisis management efforts in family firms (Dana and Dumez, 2015). To better understand crisis management in its entirety it would be useful in further studies to incorporate the views of important stakeholders such as non-family shareholders, employees and the lending banks. Furthermore, family firms are deeply integrated into their local community and our research has revealed that this support is very crucial to successfully mastering a crisis. One further research area could be how immigrant and ethnic minority family firms approach a crisis and the handling of a crisis situation thereof. The influence of migration/ethnic entrepreneurship and its influence on crisis management activities is hardly overlooked in the literature. In this vein, it would also be interesting to investigate how ethnic or migrant family firms are embedded in the local communities and interact with other family firms in this community (Zapata-Barrero and Rezaei, 2020).
From a managerial and practical perspective, networking among family firms is very crucial for the further development of crisis management readiness in family firms.

Here, the family business associations can play a big role in bringing together the family firms in the local community. These not-for-profit organizations provide family business useful support in business (new strategic directions) and family matters (for example, succession planning, family office) and help them to unlock their full potential. Furthermore, family firms enjoy to have a network of peers, which share the same values and problems and with whom they can discuss and exchange ideas on how to develop the family firm further. Especially this can help family members to agree and see the need for significant changes in their strategy and behaviour if they discuss this with like-minded members (Seaman, et al., 2010).

As our case study has evidenced family firm CEOs appreciate discussions with like-minded family firms in a safe environment. The family business associations can also help to reduce uncertainty in offering support to get in touch with the local communities and municipalities to secure their support and understanding for the crisis situation. These family business associations will also help the members to expand their networks and contacts and to initiate new collaborations or projects where family firms can work together to share and lift their resources. This can also help to create better awareness for identifying critical events in advance.

References


**Corresponding author**

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Appendix. Structured interview guideline.

Dimensions | Questions | Literature informing themes and items
--- | --- | ---
Crisis management | Detection phase: Did you experience any crisis in the past? What happened? When and how did you detect the crisis? What were the first warning signs of the crisis; how did they appear? What specific contingency plans did your firm have to prevent the crisis or minimise the negative impacts? Occurrence phase: How did the crisis affect you, your family, your business in general, the ownership of the firm? How are you handling the crises internally and externally? (e.g. communication with internal and external stakeholders) What were the major actions implemented? How did your firm respond to the crisis events? Did your firm find that crisis planning measures were actually useful in crisis events? If not, why not? What could have been better crisis managing measures in your opinion? Recovery phase: What were the major risks and challenges the company was facing during the recovery process? What were the major restructuring actions implemented? How long did it take to turn around your company? During the course of the restructuring, how would you describe the company's position in its field of business? After the crisis, what did your firm actually do to recover from the crisis or even convert the crisis into new development opportunities? Resolution phase: Once the firm recovered from the crisis event, did your firm make any modifications in their product, process, market position or even business paradigm to prevent a similar crisis in the future? What have you learned from the crisis, e.g. with regard to ownership and family issues? What specific contingency plans does your firm have to prevent the crisis or minimise the negative impacts? What is the future outlook about the possible crisis events for your firm and the industry as a whole?

EO Autonomy
Six questions
Innovativeness
Five questions
Proactiveness
Five questions

Herbane (2019, 2013)
Hong et al. (2012)
Brustbauer (2016)

Zellweger and Sieger (2012)
Eggers et al. (2013)
Alvarez-Torres et al. (2019)

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<th>Questions</th>
<th>Literature informing themes and items</th>
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<td>How many family members are involved in the managing board of the firm?</td>
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<td>Uncertainty in the business environment</td>
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<td>What is your view concerning the predictability of the following changes in your business environment (multiple selections allowed)?</td>
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<td>Obtaining resources (labour, raw materials)</td>
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