Turning Around the Family and the Business? Examples of Turnaround Strategies from Germany, Scotland, and Sweden

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Abstract
The purpose of this study is to understand turnaround strategies in family firms from a socioemotional wealth (SEW) perspective. This study follows a case study approach with four family firms, one from Germany, one from Scotland, and two from Sweden. Data collection builds on combining interviews with data collected from annual reports, homepages, and press clips. First, we contribute to the understanding of turnaround strategies in private family firms. Moreover, the SEW perspective offers new insights into how owning families prioritize the different turnaround strategies in relation to the SEW dimensions. Finally, our study also helps further an understanding of how owning families prioritize the SEW dimensions, by drawing on mixed gambles. These findings are used to develop a framework for explaining how SEW influences organizational decline and turnaround in private family firms. Finally, we develop propositions that future research could consider.

Keywords:
Turnaround strategies, Family firms, SEW dimensions, Germany, Scotland, Sweden

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1. Introduction

Family firms are seen as a vibrant and innovative source of new ideas and have been the primary source of new employment growth in many advanced economies (Burns, 2016; Schaper et al., 2008). However, many small and family firms struggle to grow as they had planned (Jarl Borch and Brastad, 2003) or they do not even intend to grow (Achtenhagen et al., 2010). They also encounter difficulties when trying to raise finances; a problem that has increased since the financial crisis (Almus, 2004; Crossan and Henschel, 2012; Herbane, 2010; Bussoli and Marino, 2018) and has now become life-threatening in the current COVID-19 pandemic (Kraus et al., 2020). According to Mayr and Lixl (2019), family firms tend to fail more frequently than companies without family influence. However, academic research in the field of turnaround management in family firms is very limited (Kraus et al., 2013; Mayr and Lixl, 2019).

A turnaround can be defined as a process that consists of several steps addressing a crisis or decline and strategies undertaken to overcome it in the short- and long-term (cf. Pearce and Robbins, 1993; Trahms et al., 2013), which can have external or internal causes (Pearce and Robbins, 1993; Trahms et al., 2013). Pearce and Robbins (1993) suggested a two-stage model consisting of retrenchment and strategic decisions to overcome the decline. Still, studies on decline and turnaround (cf. Pearce and Robbins, 1993; Trahms et al., 2013) usually focus on managers, underestimating the importance of owners in family firms (Dyer, 2003). In family firms, there is the risk of loss of socioemotional endowment (Gomez-Mejia et al., 2011; Llanos-Contreras and Jabri, 2019) since there are differences between family firms (Salvato and Aldrich, 2012; Laffranchini et al., 2018).

There are several gaps in the extant turnaround literature. As Trahms et al. (2013, p. 1297) noted in a recent review, “indeed, what we do not know or what is currently understudied far outweighs what is known about decline and turnaround.” They provided an example: “How do family firms balance the need for survival with socioemotional wealth?” (Trahms et al., 2013, p. 1298). Trahms (2013) pointed also towards issues of governance and leadership in regards to turnaround strategies.

Socioemotional wealth (SEW) is defined as “non-financial aspects of the firm that meet the family’s affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty” (Gomez-Mejia et al., 2007). The socioemotional wealth perspective proposes that non-financial aspects of the family firm are the main point of reference for these firms’ decision-making (Llanos-Contreras and Jabri, 2019). According to Berrone et al. (2012), the SEW concept is of multidimensional nature and covers the following dimensions: family control and influence, identification of family members with the firm, binding social ties, emotional attachment of family members, and renewal of family bonds through dynastic succession. Berrone et al. (2012) labelled these five dimensions with the acronym FIBER. These non-financial priorities can be more or less important, compared to financial considerations, for decision making, depending on the level of vulnerability the family business faces (Gomez-Mejia et al., 2014). Thus, when family firms face an organizational crisis, they need to solve the dilemma of preserving the current wealth and pursuing prospective wealth to turn the business around. To date, it is not clear from the literature how family business owners can solve this dilemma when facing a severe crisis (Llanos-Contreras and Jabri, 2019). Therefore, we agree that it is important to investigate the turnaround process with a particular focus on family ownership (Trahms et al., 2013). Thus, by focusing on private and non-listed family firms and applying a SEW perspective, we will be in a better position to understand turnaround strategies in these types of family firms. Moreover, there is limited knowledge on how and why owning families prioritize SEW dimensions in a turnaround situation (Llanos-Contreras and Jabri, 2019).

The current study extends prior research in turnaround in family firms by looking into the two stages of the turnaround process in different contexts (Trahms et al., 2013; Kraus et al., 2013; Schoenberg et al., 2013; Cater and Schwab, 2008).

The purpose of this study is to understand turnaround strategies in family firms from a SEW perspective. Specifically, this study seeks to answer the following research question:

How do SEW considerations affect the chosen turnaround strategies?

The present study makes the following contributions. First, our research shows that, after fixing the immediate crisis, firms must take more comprehensive second-stage measures, such as developing a sound governance structure and sustainable risk management in the long run. Moreover, the SEW perspective offers new insights into how owning families prioritize the different turnaround strategies concerning the SEW dimensions. Also, our study helps to further understand how owning families prioritize the SEW dimensions by drawing on mixed gambles. Finally, the paper provides a framework that explains the importance of aligning conflicting priorities as a critical response factor for implementing successful turnaround strategies in family firms.

The paper continues by reviewing the relevant literature and methods before our empirical findings are presented. Then, we discuss our findings and draw conclusions.

2. Literature review

As Trahms et al. (2013) pointed out in their systematic literature review on organizational decline and turnaround little is known about what is going on in small firms. When it comes to family firms there are even far more blind spots. Especially, there is a big research gap in terms of chosen turnaround strategies as well as contextual factors and the socio-emotional wealth perspective (SEW) (Kücher & Feldbauer-Durstmüller, 2019). Our literature review is organized along these lines and will form the basis for this paper. The articles discussed focus on the above-mentioned research voids and identify the research implications thereof.

Cater and Schwab (2008) suggested three strategies for managing a turnaround: change in top management, integration of external management expertise, and cost reduction. Besides its generic character, each of these measures can be difficult in the family firm context, as these are developed for large and publicly listed nonfamily firms (Cater and Schwab, 2008; Trahms et al., 2013; Schoenberg et al., 2013). Prior research has indicated that changes could be necessary for declining firms attempting a turnaround; although it might not always occur, due to internal resistance (Barker III et al., 2002). The general management literature suggested a two-stage model for managing turnaround situations (Arogyaswamy et al., 1995). The first stage refers to decline stemming, such as actions taken to address the immediate causes of decline. Hence, a company seeks to employ operational measures such as asset and cost retrenchments and focus on its core activities. The second stage refers to strategies that help the firm recover from the decline. It is entered when the immediate crisis has passed and the financial position has stabilized. As Schoenberg et al. (2013) point out, the second stage is concerned with building the firm for the future. In the following sub-sections, we briefly discuss the definition and meaning of an organizational crisis, followed by the available turnaround strategies and finally combining contextual factors and SEW for the family firms.

2.1 Organizational crisis

A crisis can be a result of continued organizational decline or the result of a sudden event that threatens the continued existence of the firm (Cater and Schwab 2008). Moreover, a crisis can be externally or internally induced (Cater and Beal, 2014). Prior research has defined a crisis as "…a low-probability situation with significant consequences for the organization, a high degree of uncertainty, and a sense of decision-making urgency (Cater and Beal, 2014).

A crisis can be a reason for needing to implement a turnaround strategy. However, a crisis can have different causes, for example, internal or external to the firm. Based on the cause, strategies may need to address issues differently (Schoenberg et al., 2013); particularly in a family firm context, where there is not only the internal or external origin of a crisis but also the dimension of the family. As Table 1 shows, some crises can originate inside or outside the organization. Accordingly, the focus of Table 1 is on actors which can be considered an under-researched group in family business research (Nordqvist, 2012). Since different individuals and actors may represent different goals towards the firm (Aparico et al., 2017; Brundin et al., 2014), it is important to consider their roles and different constellations (Nordqvist, 2012) in a crisis situation. In other words, the study is not focusing on other causes of a crisis, e.g., related to changes in the economic structure (Ljungkvist and Boers, 2016), natural disasters (Brewton et al., 2010), or other major external events causing a decline (Trahms et al., 2013; Schoenberg et al., 2013).

Table 1: Causes of crisis in family firms

Cause of crisis	Organizational internal	Organizational external
Family internal	Owner family managers	Owner family members
Family external	Nonfamily organizational members	Organizational stakeholders Hostile takeover

Source: the authors

2.2. Turnaround strategies

The turnaround literature remains fragmented (Trahms et al., 2013; Kücher and Feldbauer-Durstmüller, 2019). Prior studies take a decline or crisis as a starting point for their model (cf. Pearce and Robbins, 1993; Trahms et al., 2013), even in dynamic and growing industries (Ndofor et al., 2013). More recent literature talks about three stages: decline, decline stemming, and recovery/failure (O'Kane and Cunningham, 2014; Laffranchini et al., 2018). However, these can be seen as a variation of the two-stage model suggested by Arogyaswamy et al. (1995) and still form a multistage process (cf. Pearce and Robbins, 1993; Trahms et al., 2013). Overall, the different models suggest a sequential approach with more or less detailed intermediate steps.

Schoenberg et al. (2013) conducted a literature review and analysed 22 empirical studies that had investigated business turnarounds in previous recessionary environments. Their literature review revealed a convergence in the findings of the prior studies. In particular, turnaround management is a two-stage process. Turnaround strategies are employed for tackling the immediate crisis; these include cost efficiencies, asset retrenchment, a focus on the firm's core activities, and long-term so-called accompanying strategies that help make the company fit for the future. Schoenberg et al. (2013) stressed that there is a strong history of quantitative work aiming to explore the determinants of successful turnarounds, but more qualitative studies with a focus on the accompanying strategies such as leadership and governance aspects are required. As Trahms et al. (2013) pointed out as well, more research is needed regarding the role sound governance structures can play in turnaround. The research should focus on how absent or ineffective governance mechanisms can exacerbate the severity of decline (Trahms et al., 2013; Courtemanche et al., 2013; Lai and Sudarsanam, 1997). The leadership and governance issue is a multidimensional concept. On one hand, it covers organizational aspects such as the composition and duties of board members (Crossan et al., 2018) and their interplay with sub-committees (Spielmann, 2012). On the other hand, governance is concerned with the management control systems in a firm (Quinn et al., 2018). Here, risk management has become an important enabler for developing the governance in small firms and making them more crisis-resilient in the long run (Brustbauer and Peters, 2013; Hiebl et al., 2019). Latest research has shown that in family firms, socioemotional wealth considerations can drive firms into decline as well as help them for turnaround (Llanos-Contreras and Jabri, 2019).

2.2.1. Change in top management

The literature has identified three short-term strategies to respond to a critical situation: changes in the top management team (TMT), external advice, and retrenchment (Cater & Schwab, 2008; Trahms, et al., 2013). However, family firms may act differently when the socioemotional endowment is endangered by these strategies (Gómez-Mejía, et al., 2007). Accordingly, retrenchment measures are frequently the first step in any turnaround strategies, and when things improve the company concentrates on TMT changes and self-renewal.

2.2.2. Integration of external management expertise and advice

Integrating external management expertise and advice is often considered an important factor for making the turnaround process a success in family firms (Cater and Schwab, 2008; Dyer, 1989). External management, in this context, means integrating nonfamily managers to help the owner family to better understand or even recognize the crisis and to help them work out a sound turnaround strategy (Dyer, 1989). Bringing in non-family members is also seen as a way towards the professionalization of family firms (Hiebl et al., 2019). There is, however, some doubt whether external nonfamily managers can act and introduce professional management in a family firm (Levinson, 1971) because external managers may lack the required cultural competence regarding the owner families' goals and values (Hall and Nordqvist, 2008), making it more difficult for them to support successful turnaround strategies.

2.2.3. Retrenchment

Early literature on turnaround strategies has argued that retrenchment is essential for a successful turnaround (Pearce and Robbins, 1994) that has been questioned by other researchers (Barker and Mone, 1994; Ndofor et al., 2013). The scarce literature on family firms is inconclusive. Whereas Cater and Schwab (2008) include retrenchment as a necessary step towards the turnaround, Tsao et al. (2016) found negative performance effects of HRM retrenchment practices in Taiwanese family firms. A common way to reduce costs is through downsizing. Extant research on downsizing in family firms suggests that such firms are less likely to implement extreme measures such as deep job cuts because it will endanger their reputation (Block, 2010) and violate their commitment to employees (Stavrou et al., 2006).

Accordingly, our empirical study also sheds light on the use of retrenchment strategies in family firms differently; this is in line with recent calls to look, for example, at non-listed and small and medium-sized family firms (Casillas et al., 2019). Casillas et al. (2019) distinguished between two different types of retrenchment, namely whether the firm's survival is at risk or not. Also, Laffranchini et al. (2018) noted the entangled and scarce literature on turnaround strategies in family firms, highlighting the need to study turnaround with regard to the type of SEW the owning family prefers.

2.3. Combining contextual factors and SEW

Cater and Schwab (2008) identified several contextual factors that can explain the turnaround strategies in family firms. These factors are "strong ties to the family firm, small pool of replacement candidates, consensus orientation, informal management systems, internal orientation, and integration of nonfamily employees, altruistic motives, and long-term goal orientation." (Cater and Schwab, 2008). Since their study was based on two cases from the U.S.A., these factors might differ in different contexts (Welter, 2011). In particular, social networking with peers and family business associations is also seen as an important contextual factor (Hong et al., 2012; Seaman et al., 2010). This will enhance the firms' ability to draw on external expertise and increase their crisis resilience (Cater and Schwab, 2008). Cater and Schwab (2008) also point out that in a crisis, family members are willing to personally sacrifice for the form temporarily to an astonishing degree (e.g. pay cuts, investment of private funds). They even commit their time and effort voluntarily at a level hard to imagine in any regular employment relationship. This behaviour increases the firm's ability to withstand a severe crisis and will extend the firm's timeline for implementing turnaround strategies. Thus, the owner-family is seen as an important back-up resource that is not available to non-family firms (Kraus et al., 2013). Nevertheless, we argue that these factors are important because they show some overlap with the more recent concept of socioemotional wealth (SEW) (Berrone et al., 2012). We suggest that these contingency factors be seen in the light of the FIBER-dimensions of SEW (Hauck et al., 2016; Kumeto, 2015). This is in line with recent findings that the twofold consequences of socioemotional wealth considerations can lead both to decline and help overcome it (Llanos-Contreras and Jabri, 2019).

Recently, the conceptualization of SEW (Gomez-Mejia et al., 2011; Gomez-Mejia et al., 2007) has attracted criticism because of unclear causes and effects resulting from the different dimensions (Miller and Le Breton-Miller, 2014), the relationships between the five dimensions (Chua et al., 2015), and methodological concerns (Prügl, 2019; Hauck et al., 2016; Schulze and Kellermanns, 2015). Still, for our study, the SEW perspective offers a relevant lens for studying turnaround strategies in different family firms, as emphasized by Trahms et al. (2013). Furthermore, turnaround situations such as decline can affect the socioemotional benefits of the owning family (Martin and Gomez-Mejia, 2016; Gomez-Mejia et al., 2007).

In a turnaround situation, the socioemotional endowment that an owner family receives from owning the firm is at risk:

"Losing this socioemotional wealth implies lost intimacy, reduced status, and failure to meet the family's expectations." (Gomez-Mejia et al., 2007).

The SEW perspective consists of five dimensions (Berrone et al., 2012; Gomez-Mejia et al., 2011) for which the FIBER acronym has been introduced (Hauck et al., 2016; Naldi et al., 2013; Kumeto, 2015).

The first dimension is *family control and influence* (F). This dimension distinguishes family firms from nonfamily firms because the owning family has control over the firm (Berrone et al., 2012; Chua et al., 1999). This control is also essential for turnaround strategies (Cater and Schwab, 2008).

The second dimension is *identification of family members with the firm* (I). Family members identify with the firm, which carries the family name and thereby strengthens the identification further (Brunninge and Melander, 2012; Dyer and Whetten, 2006; Gomez-Mejia et al., 2011). Owner family members' identification with the firm offers both challenges and opportunities in a turnaround situation (Cater and Schwab, 2008).

The third dimension is *binding social ties* (B). This dimension refers to social relationships of the family firm, which are partly based on kinship ties (Fitz-Koch and Nordqvist, 2017; Berrone et al., 2012). In a turnaround situation, these binding social ties can help overcome critical phases (Decker, 2018). Also, other stakeholders, such as employees or suppliers, can play a supportive role due to these binding social ties (Fitz-Koch and Nordqvist, 2017).

The fourth dimension is *emotional attachment of family members* (E). As a consequence of the overlap of family and business, emotions influence decision making in family firms (Brunninge and Melander, 2015; Zellweger and Astrachan, 2008). In a turnaround situation, emotions can lead to altruistic behaviour by family members (Cater and Schwab, 2008).

The fifth dimension is *renewal of family bonds through dynastic succession* (R). Family firms are often seen as legacies that will be passed on from one generation to another (Gomez-Mejia et al., 2011). Cater and Schwab (2008) proposed that long-term goal orientation in family firms can facilitate certain actions that would be more difficult in nonfamily firms.

Recent debates regarding the SEW perspective concern, amongst other things, the relationship between socio-emotional and financial wealth considerations (Martin and Gomez-Mejia, 2016; Cruz and Arredondo, 2016; Brunninge and Melander, 2015). Many researchers argued that owning families weigh potential gains and potential losses against one another (Gomez-Mejia et al., 2015; Gomez-Mejia et al., 2014; Boers et al., 2017). In turnaround situations, these mixed gambles will be more evident (Llanos-Contreras and Jabri, 2019).

To sum up, the research and our understanding of turnaround in family firms is still in its infancy (Kücher & Feldbauer-Durstmüller, 2019).

Here, in particular, more research is required in regard to turnaround strategies that are useful to survive in the market in the long run. In this vein, it might also be important to study how family firms can be better prepared and respond to crisis threats (Herbane, 2013).

In particular, it is not clear which contextual factors can positively influence the establishment of turnaround management in family firms. In particular, it is necessary to develop a detailed understanding of the relevant pre-conditions for the implementation of sound crisis and turnaround management that enables family firms to successfully exploit the opportunities and avoid the threats of challenges such as digital transformation, demographic change, and the increasing effect of globalization (Quinn al., 2018). However, in view of the small number of empirical studies, it is unclear to what extent family firms design and actually implement crisis management with regard to the challenges mentioned.

3. Method

In this study, we draw on cases from different countries (Osnes et al., 2017). The companies had to be family businesses that were facing problems that required a turnaround. Therefore, the companies were selected purposefully (Siggelkow, 2007). Moreover, the authors needed to be familiar with the companies, giving some prior knowledge. The authors agreed, after a joint discussion, to review their portfolio of studied family firms, to identify those that had filed for bankruptcy or had circumstances calling for a turnaround. The authors had been researching in Germany, Scotland, and Sweden, which limited the company selection further.

The three economies share a high preponderance of family firms (Eurostat, 2020; Schaper et al., 2008). Analysing the relationship between turnaround in family firms and the cultural context allows us to understand the effects of policy programs designed for family firms. Consequently, the cross-country perspective adopted in this paper will hopefully alert researchers, policy makers, and practitioners to cross-national differences in turnaround activities. More precisely, exploring the research question will provide a clearer understanding of the personal and organisational factors that have influenced the turnaround practices of family firms in the respective countries.

It also illustrates the difficulty of obtaining information from family firms in difficult situations, which can be reluctant to share their views (Alderson, 2015). By selecting cases from three different countries, we account for the diversity and heterogeneity of family firms. Table 2 shows the profile of the studied firms.

Table 2: Profile of sample

	GER1	SCO2	SWE1	SWE2
Company founded	1950	1990	1991	1970
Generation involved	2nd & 3rd	1st & 2nd	1st & 2nd	2nd & 3rd
Respondents	Owner managers	Owner managers	Archival sources	Owner manager
Period of data collection	2010–2017	2010–2015	2011–2017	2014–2017
Industry sector	Office equipment	Architecture	Retailing home interior	Garage
Number of employees	10	10	150	7
Annual turnover 2015 (TEUROS)	1.166	1.253	31.310	763
Main products	Office equipment	Domestic building projects	Home interior products in own shops and online	Garage services
Main customers	Business customers	Private clients	Consumers	Private and corporate customers

Crisis causes	Financial distress due to death of owner manager (family)	Financial distress due to weaknesses in management control systems (business)	Financial distress due to market misjudgment (business)	Financial distress due to burnout of owner manager (family)
Turnaround results	Business rejuvenation	Innovation enhancement	Bankruptcy and family exit	Bankruptcy and taking in new minority shareholders
Family control after turnaround	Yes	Yes	No	Yes, but new minority shareholders
Renewal of family bonds	High, but sideward succession	Next generation active in board	No	High, but revers succession

Source: The Authors

After the researchers had identified relevant companies, the authors collected further empirical material to research the phenomenon of turnaround strategies.

SWE1 differs in many ways from all the other companies. As Table 2 shows, the founding family no longer controls SWE1. Therefore, it was also not possible to conduct interviews with members of the owning family. However, we included the company because it illustrates the worst-case scenario from a family owner's perspective, as the owner family loses all its socioemotional endowment (DeTienne and Chirico, 2013).

Table 2 shows that, in most selected companies, several generations of owner families are involved in the business, which is an important condition for the definition of the family business (Chua et al., 1999). As can be seen from Table 2, the size of the selected case firms varies in terms of the number of employees. Our sample comprises micro-, small-, and medium-sized family firms to cover the big diversity in privately held family firms (Carney et al., 2015). The majority of selected firms are small and medium-sized enterprises, as this size category represents a large group of family firms in the European Union (Eurostat, 2020). Interviews were conducted in all companies except SWE1. These interviews were complemented with press clips and annual reports.

The authors followed the conventions of case study research in that the selection of case companies is the first analytical step (Eisenhardt and Graebner, 2007; Eisenhardt, 1989). The authors relied on the work of Cater and Schwab (2008) to analyse the empirical material.

The semi-structured interviews addressed issues, which led to identifying the problems of the company as well as what has been done to overcome these problems; that is, the turnaround. The interviews lasted between 45 and 90 minutes. The respondents were owners and managers of the studied companies (see Table 2). In general, the investigation followed the steps promoted by Trahms et al. (2013), as we searched for answers concerning (1) causes of decline, (2) response factors, (3) firm actions, and (4) outcomes. Next, the answers were sorted according to the categories suggested by Cater and Schwab (2008). However, as elaborated earlier, the focus is on the turnaround, so we do not fully discuss the causes of the decline.

Both researchers have a family business background and first-hand turnaround experience. This combination indicated that they would have sufficient expertise and objectivity for the study's data collection and data interpretation (Cater and Schwab, 2008).

The data analysis process began by transcribing the recorded interviews. The 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 coding (Miles and Huberman, 2013), they were discussed by the two coders in an iterative process and adjusted, as appropriate.

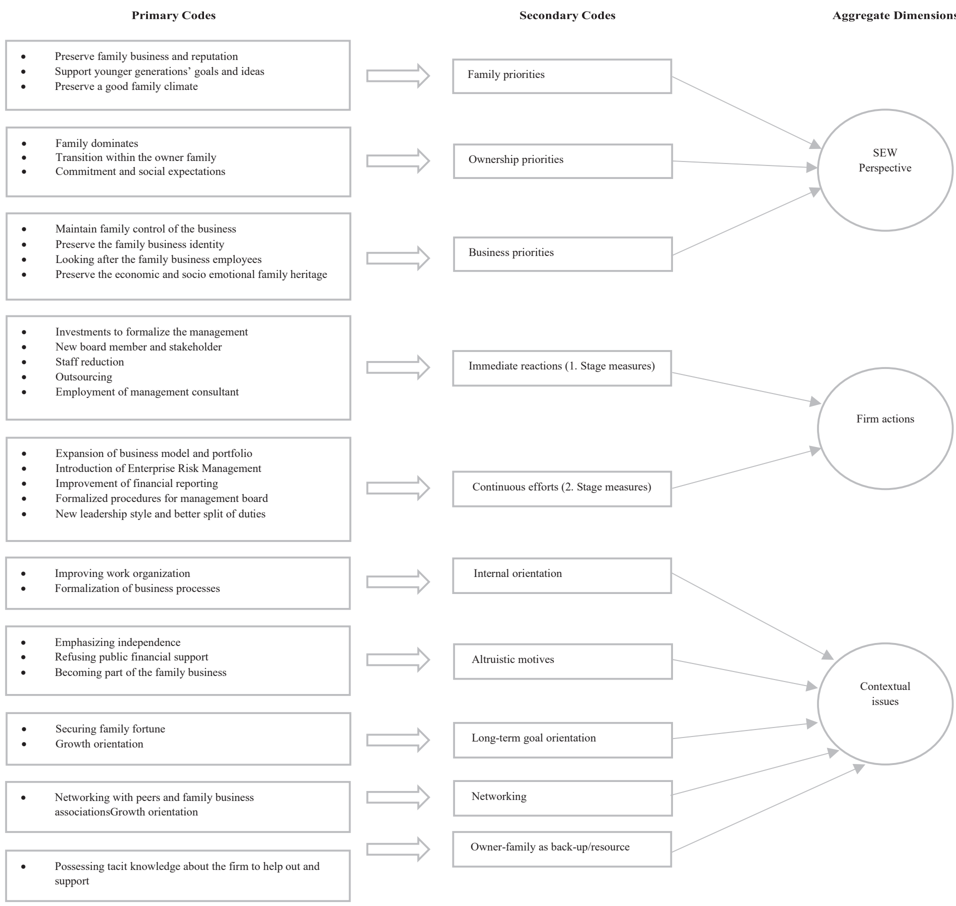
We performed an in-depth data analysis using content analysis and pattern identification. As Eisenhardt (1989) recommends, we selected a theme and looked for within-group similarities coupled with differences. Then, we developed theoretical points (so-called secondary codes) that are contextually grounded in the empirical data and choose the most expressive comments to bring theoretical points to life (aggregated dimensions) (McCarthy, 2003).

Non-quantifiable interview data has been presented in the form of "direct quotations." The statements will be used for analysis of management behaviour, but also for the examination of problems that arise in connection with establishing the turnaround in family firms.

The code system in Figure 1 provides information about how we arrived at the theoretical dimensions and about the drivers of turnaround management in family firms. It also shows the contextual issues informing turnaround strategies under which decisions were made.

To ensure external validity, case study samples were chosen for diversity. To cover reliability, a detailed case study protocol was developed and verified by both researchers. Also, detailed interview notes were taken. All materials generated from the interview process were collected. The above-described mechanisms and elements were used to ensure data quality and the trustworthiness of the research results.

Figure 1 Data Coding from the interview



Source: the authors

3.1 Background information about the studied companies

3.1.1 GER1

GER1 is a family business in the office equipment and stationery industry. This industry is undergoing major changes with the advent of online shops, where customers can order office furniture and equipment online. GER1 was founded in 1950 as a sole trader by the grandfather and is currently operated by the third-generation owner. Originally, the daughter was not willing to work in this firm due to the father's authoritarian leadership style. However, after the father's death in 2004, the daughter decided to quit her job and run the family business together with her mother to keep the business alive. This was a real challenge for the daughter as she had no industry experience. This crisis situation led to the recognition that the firm lacked a sound business strategy and management expertise.

3.1.2 SCO2
The enterprise was founded in 1999 as a sole trader by the father and is operating as an architecture business. The business focuses on domestic building projects, and its customers are mostly private clients. In 2005, it became a limited company and later, the son took over the business from his father. In 2010 the son was becoming the only managing director of the firm. He holds a Bachelor's degree in architecture and gained professional experience in two larger architecture companies before joining SCO2. The other two non-managing directors are the mother and brother, who act as a sounding board for the son. The father is further involved in the company as an advisor. While the focus was on growth, SCO2 expanded very quickly in terms of new projects and hiring of new employees, taking on various projects. The result was that the company finished many projects with a delay and cost overruns, which resulted in serve cash flow problems and stretched SCO2 to its limits. They had to negotiate a bridging loan with the lending bank to cover the financial losses. The family also injected new equity capital to keep the business running.

3.1.3 SWE1
SWE1 was a family business in the home furnishing industry. The industry is turbulent due to new competitors through the internet. SWE1 was founded in 1991 as a physical retail store. By 2002, SWE1 had expanded to different cities in Sweden and also had an online store. Two sons of the founder had entered the business in management positions. In 2015, the company had 23 stores all across Sweden. The owning family did not only control the board of directors exclusively but also owned the company completely. Before the reconstruction, the firm expanded rapidly, but control stayed in the hands of the owning family. Due to negative results, the company decided to outsource its warehouse. In 2015, the company filed for bankruptcy. An official receiver took over the company and sold some of the stores.

3.1.4 SWE2
SWE2 was founded in 1970 as a freestanding garage. The third-generation member became the managing director in 2003. The garage offers two main areas – car repair and service – as well as the sale and storage of tires. In 2013, the managing director collapsed after a burnout. Before that, the owner-manager hired a management consultant to help restructure the business as the turnover had doubled but the costs had increased even more. After this incident, he was on sick leave for several months, meaning the management consultant had to take on greater responsibility. In 2014, the owner-manager was unable to return to work, while the costs increased to the point that the company was close to filing for bankruptcy. The third-generation owner-manager returned at the end of 2014 and worked on reconstructing the company. After failing to renew bank loans, he sold the property and rented it instead. He reduced staff and introduced six-hour workdays, which led to less costly over time and a more motivated workforce. Eventually, the tax office filed for bankruptcy in 2016. Thereafter, the owner's family, together with local entrepreneurs, took over the business's activities in a new owner constellation, where the owning family kept the majority and the third-generation owner stayed as the managing director. The second-generation owner and father to the current managing director continued to work in the company and took a position on the board of directors.

4. Empirical findings

The empirical section consists of two parts, i.e., firm actions and turnaround and the FIBER dimensions. Even though these parts are not mutually exclusive, they represent two distinct levels of activities in the turnaround management processes. The owning family and its willingness to support the turnaround is central.

4.1 Firm actions

In this section, we describe firm actions, which we divide into immediate and more continuous efforts to handle the crisis.

4.1.1 Immediate reactions to crisis

The literature has identified three short-term strategies to respond to a critical situation: changes in the Top Management Team (TMT), external advice, and retrenchment (Cater and Schwab, 2008; Trahms et al., 2013). However, family firms may act differently when the socioemotional endowment is endangered by these strategies (Gomez-Mejia et al., 2007).

Our cases did not follow a sequential approach in selecting the turnaround strategies, as the general literature reviews by Schoenberg et al. (2013) and Trahms et al. (2013) suggest. Accordingly, retrenchment measures are frequently the first step in any turnaround strategy and when things improve, the company concentrates on TMT changes and self-renewal. In some of our cases, the firms operated in the exact opposite direction, making large investments in the company and changing the management, instead of making cost efficiency measures.

GER1 and SCO2 invested in the IT infrastructure and set up a knowledge management system to get better documentation of the relevant business processes and to capture the critical knowledge. According to the owner-manager of GER1, "…there is a big knowledge drain and we don't have a sound strategy to handle this". To get the commitment of the employees, the owner-manager of GER1 employed a change management consultant to build trust and confidence in the workforce. The Scottish firm (SCO2) did big investments in the formalization of the business processes.

The above shows how changes in the business context affected the owner's socioemotional wealth perspective and how the changes in the SEW perspective affected the strategies to handle the organizational decline. It also highlights family climate as a critical response factor explaining the family availability to commit family resources for turnaround (Llanos-Contreras and Jabri, 2019). In the GER1 and SCO2 cases, all family members were committed to investing more financial resources to turn the family business around. According to Jaskiewicz et al. (2016), this so-called "survivability capital" was only available when family and business priorities were correctly balanced. In both firms, continuity (long-term orientation) was the main priority of family members. This survivability capital invested by the family members allowed them to implement the new strategies and recover the firms' long-term orientation. In the Swedish firm, SWE2, the managing board took some retrenchment measures, such as downsizing, but also worked on the formalization of the business processes and made some changes in the TMT.

In terms of crisis, owning family members can be seen as a competitive advantage that is typically not available to nonfamily firms (Habbershon and Williams, 1999). Although owning-family members are not involved in the operations, they are aware of the firm and leadership, allowing them easier entrance into the firm (Hall and Nordqvist, 2008). Ownership has mostly been discussed with regard to filing for bankruptcy (cf. Trahms et al., 2013), but family ownership has no clear-cut direction. Some characteristics of family ownership support turnaround (Cater and Schwab, 2008), whereas others hinder it due to the higher risk involved (Gómez-Mejía et al., 2007). Our study shows that owner-family members can have a crucial and positive impact on the success of a turnaround. Still, this is dependent on the available resources.

The managing director of SCO2 pointed out:

"We are a typical family business. My father set up the firm, and now, I have taken over the helm of the firm and my brother and mum are also on the board as non-exec directors. My father has taken on an advisory role as an external consultant, but at any time, he can jump in to help out with managing the firm."

Regarding the Top-management changes, differences can be noted. In the Scottish case (SCO2), there was the classical transition from the father to the son, whereas in the German case, the daughter and mother formed a joint leadership of the firm. In GER1, the daughter noted, "I must say it frankly, if my father were alive, I wouldn't have joined the firm. Due to his authoritative leadership style, we would not have found common ground for working together. With my mum, the other family member, we work in tandem to modernize the business." In the Swedish case SWE2, they employed a managing director from outside the family to take over responsibility after the collapse of the family CEO.

Earlier research found that owning families have difficulty taking external advice due to their internal orientation and focus on themselves (Cater and Schwab, 2008; Gómez-Mejía et al., 2007). When looking at the third short-term turnaround strategy, namely external advice/expertise, all firms were concerned with taking in some external expertise. The surveyed family firms value establishing an external network and learning from other family businesses. In some cases, the tax advisor plays a major role in advising family firms. Networking with peers and family business associations also helps to improve and formalize the management systems and the decision-making in family firms. Our results have substantiated that this has significantly influenced the implementation and improvement of the governance structure in the firms. This was particularly emphasized by the son, the incoming managing director of SCO2:

"In a crisis, it is more difficult to take a neutral stance or an outside view and to take hard measures to get the company alive. Here again, the Scottish family business association was a good adviser and it was excellent to have a network with like-minded firms in the region."

4.1.2 Continuous efforts to manage the turnaround

All surveyed family firms changed their business strategy, leadership style, and operations to adjust to the environmental changes and to make their companies fit for the future. It is also evident from the observations that the firms see the need for further professionalization of their management systems to be more crisis-resilient in the future (Herbane, 2013).

Especially for new strategy formation or adapting the current business model, the interviewed firms take on outside help and highlight the importance of getting the employees involved in the strategy building process as well as the actions for the preparation or prevention of a new crisis. As the owner-manager of GER1 recalls: "I try to involve the employees in the goal-setting process and we regularly have employee and strategy meetings".

Our research also shows that changes in products and operations are accomplished by the formalization of their management systems. We found that the governance and risk management play a big role. A sound and more formalized governance structure can be used for better transmitting knowledge from senior family members to junior family generations that are just entering the board or taking on more responsibilities (Giovannoni et al., 2011). Also, it was evidenced that the family firms were in the process of or already implementing a so-called "family board" as a means for better governance and oversight of the firm. The board will act as a sounding board for the family members to discuss and explore important operational and strategic issues that are relevant to the respective firm. This is also helpful for the transition process in a family business.

To minimize the negative impacts of the crisis and to be better prepared for the future, all firms worked on their leadership style. The owners found it beneficial to build trust and confidence among the workforce and to delegate more decisions to the respective employees. The family firms also saw the need to better align with important stakeholders.

The Scottish case SCO2 is a good example of illustrating this change in relationship-building with key stakeholders.

SCO2 owner-manager's son said: "Two years ago, when I applied for a bank loan, I was only asked if I can afford to pay the installments. Last year, I had to apply for another loan to overcome the cash flow problems and had to prepare a lot of paperwork, explaining my business model and strategy and to hand in a sound cash flow planning for next months."

To summarize, the turnaround actions in the case firms have stimulated active learning and resulted in better board work, better assignment of responsibilities and improvements in the management system, and changes in the leadership style

The long-term goal orientation is peculiar to family firms (Zellweger and Sieger, 2012) and should help the implementation of retrenchment strategies (Cater and Schwab, 2008) as the owning family will sacrifice short-term losses for long-term survival. This long-term orientation was present in all of the studied firms except SWE1. All companies continue their operations. In this regard, it could be argued that the strategies were successful. However, when including the question of family ownership, the picture looks different. The owning family of SWE1 had to sell the company. In SWE2, the owning families had to accept a new owner, which dilutes their control.

We were also able to identify altruistic motives in most of the companies under study. The analysis of the altruistic motives revealed two overarching patterns of motives; namely, social expectations and commitment on one hand, and striving for or maintaining the independence of the family business on the other hand. The findings correspond to the different views on altruistic behaviour in family firms (Corbetta and Salvato, 2004; Schulze et al., 2003). It appears that, in most firms, altruistic motives related to stewardship are dominant (Corbetta and Salvato, 2004). In contrast, different types of altruistic motives dominate in SWE1 (Schulze et al., 2003), resulting in efforts to maximize the outcome for the owning family. In SWE1, the owner family cut the ties to the family firm and prioritized the family fortune over the business. This shows that the endowments owning families obtain from owning a firm can change (Boers et al., 2017). However, strong ties are often seen as a hindrance to changes in the top management or the introduction of new strategies (cf. Cater and Schwab, 2008). Nevertheless, these strong ties can also lead to members of the owning family being available as a resource (Astrachan and Kolenko, 1994; Danes and Olson, 2003) and able to step in and take over responsibilities (for example, GER1 and SWE2).

To illustrate, the daughter of GER1 stated:

"Until the death of my father, the succession of our family business was not clear. After finishing university, I told him that I was not interested in taking over the firm due to his leadership style. His sudden death was the triggering event that changed my mind, and I felt the responsibility to carry on his life work."

4.2 Turnaround and the FIBER dimensions

We show that owning families draw different conclusions with regard to the impact of decline on their socioemotional endowments. Therefore, owning families weigh the risks and the dimensions against one another, leading to different conclusions. The findings are presented in Table 3, below which shows that all firms identify with the firm. Company SWE1 is an exception here as the owning family valued their socioemotional gains higher by selling the firm, whereas all other cases judged that their SEW can be kept leading to turnaround strategies. Hence, in the remaining cases, there was a strong identification of the owning families with the firm. This also resulted in binding social ties, making it easier to execute turnaround strategies, such as cutting costs. It seems that there is an association between the size of the firm, the involvement, and the emotional attachment. In other words, the closer the owning families are to the business, the likelier it is that they are willing to take the extra step needed for a turnaround. Therefore, we see a combination of the dimensions of identification, social ties, and emotional attachment.

Dynastic succession is a motive supporting further Stage 2 strategies. In this regard, it is noteworthy that SWE2 and GER1 choose a backward and sideward succession to facilitate dynastic succession.

Table 3: FIBER dimensions in comparison

SEW DIMENSIONS	SWE1	SWE2	GER1	SCO2
F	No	High, but lower	High	High
I	No	High	High	high
B	No	High	High	High
E	No	High	High	High
R	No	High, but revers succession	High, but sideward succession	Next generation active in board

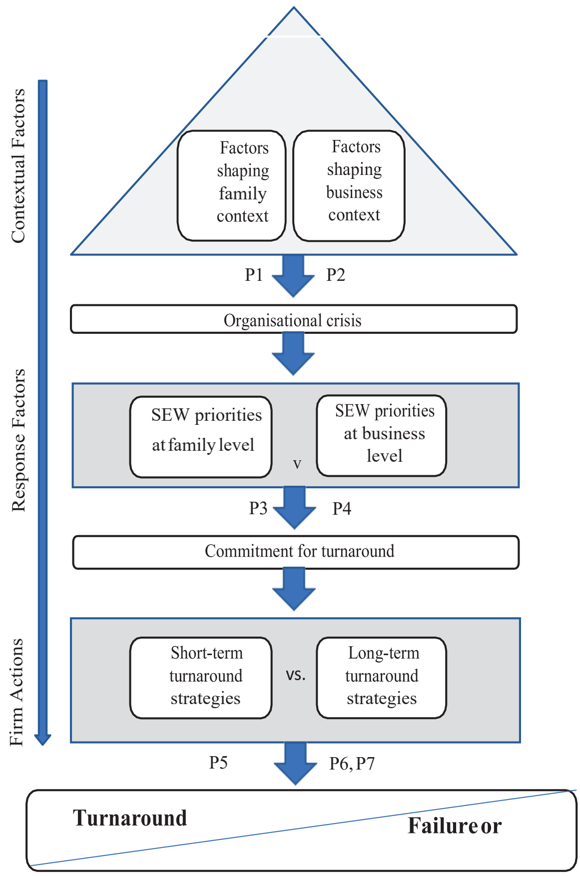
Source: The Authors

Table 3 reveals how the FIBER dimensions are treated across cases. Differences are associated with the R-dimension which can be explained by the respective circumstances.

5. Discussion

Figure 2 proposes a theorizing framework based on Trams et al. (2013) and Llanos-Contreras and Jabir (2019), connecting the propositions.

Figure 2 Exploratory framework of how socioemotional wealth influences turnaround strategies in family firms



Source: Inspired by Trahms et al. (2013) and Llanos-Contreras and Jabri (2019)

5.1 Contextual issues

In this dimension, we included several aspects observed in prior research (Cater and Schwab, 2008). Based on our research results, we suggest that these factors are contingency factors (Seaman et al., 2010) that influence the organizational decline and the successful implementation of turnaround strategies.

To start with the contextual factor "Internal orientation" it is interesting to note that nearly all companies see the crisis and turnaround process as means to improve the work organization and to further formalize the business processes. As evidenced by the interviews, the family members saw the need for formalization but before the turnaround the focus on this issue got lost. For example, owner-managers were working out contingency plans, replacement plans, and so on. With reference to our case firms, it is important to note that the owner-managers of the family firm should not focus only on operative tasks but be willing to delegate some authority to their employees, to direct more time and attention to the strategic management of the firm, such as re-designing the business strategy or product portfolio. One of the key drivers behind a successful turnaround strategy is the formalization of the business processes and integration of key employees in this process. Based on the results of the case study, relationship building and networking are identified as important facilitators for a successful turnaround. For example, GER1 and SCO2 to recover from the severe crisis events, proactively communicated with their customers, and collaborated with their suppliers to sustain their business and obtain their understanding and support (Hong et. al. 2012). Concerning the role of stakeholders, Decker (2018) showed that their support is conductive in the initial stage of a turnaround but negligible in the later recovery stage. Decker's study further suggested that such stakeholders' ability and willingness to provide support are shaped and may be manipulated by a firm's actions and behaviour. Thus, a bad relationship between the actors is detrimental to the success of a turnaround.

Regarding the altruistic motives, we can confirm the findings of Cater and Schwab (2008) and Llanos-Contreras and Jabri (2019) that family firms place a strong emphasis on keeping the business independent, thus refusing public financial support. For example, the GER 1 firm was sacrificing a lot of the family's fortune to re-design the current business model to make the firm fit for the future. It is also worth noting that non-active family members felt a strong need and pressure to become part of the family business to support the firm in this critical situation. Here, we can also agree with the view that the owner family can act as back-up resource, which is an invaluable resource in times of crisis and turnaround.

The long-term goal orientation as a particular feature of family firms is not without risks for struggling family firms. With the exception of firm GER 1, all other cases were more reluctant to take a proactive approach to turnaround the family firm. However, our research has shown that, for the family business to remain alive and prosper, it is important that family firms should take a more balanced approach to risk-taking (Boers, 2016). As the literature points out, risk aversion in family firms can also endanger a family firm's existence (Hiebl, 2014). For example, showing of lack of willingness to invest in R&D projects and/or pursue growth strategies (Hiebl, 2014) can hamper the firm's innovativeness and this will hurt the firm in the long run.

The above analysis led to the following propositions (P):

P1: A crisis is more likely to occur when the family business is vulnerable at the family and business levels simultaneously.

P2: A crisis becomes more severe when owning family members' personal goals and business goals are misaligned.

5.2 SEW perspective

In this perspective, we subsume family, ownership, and business priorities, which in turn are based on the SEW-dimensions. A crisis requires owning families to re-prioritize their socioemotional endowment, which is at risk (Gomez-Mejia et al., 2007; Hirigoyen and Basly, 2019). Based on how owning families prioritize, the FIBER-dimensions will indicate how the different turnaround strategies are applied.

We argue that the dimensions are of relevance, but may not alone explain diverging turnaround strategies. A relative reduction of family ownership (F) can be accepted when other dimensions (I, B, E) remain high. Thus, owning family may be willing to play a mixed gamble (Boers et al., 2017) in a turnaround situation as long as they remain the controlling shareholders. Taking in minority shareholders can be similar to an IPO where owning families need to give up parts of their shares (Boers et al., 2017). However, the family still maintains control as a majority shareholder. In exchange, new shareholders help provide a future for the business and allow continued SEW-gains for the owning family. This develops the concept of SEW further as it shows its dynamic and changeable nature which has, so far, not been observed, particularly, not in the context of turnarounds in family firms (Llanos-Contreras and Jabri, 2019). The findings (Table 3) further reveal that not all dimensions develop in the same direction (Hauck et al., 2016, Cleary et al., 2019).

The above discussion let to the following propositions (P):

P3: Balancing family and business goals eases the development of successful turnaround strategies.

P4: High levels of socioemotional wealth facilitate implementing strategies for a turnaround successfully.

P5: Socioemotional wealth dimensions need to be taken care of proactively to prevent crises at the family level.

5.3 Turnaround firm activities

Evidently, the surveyed family firms need further professionalization of their management systems to be more crisis-resilient in the future (Herbane, 2013). Our research shows that the formalization of their management systems accomplishes changes in products and operations. Here, in particular, we found that the governance and risk management have to play a big role. A sound and more formalized governance structure can be used for better transmitting knowledge from senior family members to junior family generations that are just entering the board or taking on more responsibilities (Giovannoni et al., 2011). This is also helpful for the transition process in the family business. We propose that governance and risk management is a useful vehicle for supporting the turnaround process and making the firm more resilient to internal or external crises.

The professionalism of the governance and risk management can also facilitate the support from key stakeholders (Decker, 2018). Especially, the lending banks are confident and willing to support the turnaround process in the firm (Mayr and Lixl, 2019). This also has practical implications for supporting agencies and advisers, as they should focus on awareness-raising for governance and risk management issues in family firms. This dimension also shows the central role of owning families.

The following propositions (P) summarize the analysis above:

P6: Succession, governance, risk management issues, and changes in the business model have to be managed proactively, to facilitate successful turnaround strategies.

P7: Succession, governance, risk management issues, and changes in the business model need to be managed proactively to avoid loss of control of management and ownership.

6. Conclusions

We conclude that turnaround in family firms is a process, which needs to be studied by observing the social and emotional dynamics between the family and the business. Our proposed framework highlights, that family and business events, as well as environmental circumstances, shaped the scenario explaining the priorities and actions that triggered the turnaround process.

In the four studied family firms, we see different choices regarding turnaround strategies. There is a focus on traditional turnaround strategies; however, keeping control over the business is considered essential in three out of four cases. Thus, our work contributes to the almost non-existent literature on how family firms manage a turnaround and it advances the literature regarding the socioemotional wealth perspective of the family business. Especially, it shows how the FIBER dimensions develop differently in a turnaround situation.

This work sheds light on how family business owners balance socioemotional wealth priorities over time. It advances the work of Gomez-Mejia et al. (2014) and shows that the mixed gamble of assessing current prospective socioemotional wealth and financial wealth is a dynamic gamble. Thus, further replication of the research framework is necessary to provide additional support for our propositions to continue the development of our findings.

Managers and family owners can benefit from this research by noting which behaviours could lead to a successful turnaround. Our research has also shown, that a crisis does not necessarily lead to business failure, as it can be seen as a chance to alter a potentially outdated business model and build for the future (Mayr and Lixl, 2019; Schoenberg et al., 2013). Conversely, family owners can learn about the importance of the alignment of SEW priorities as a critical response factor to decide whether to follow exit strategies or turnaround actions.

We must acknowledge the limitations of our study, which open up opportunities for further research. Our research design makes it impossible to generalize the derived findings. In the same line, the replication of this study across different cultural settings would also be useful to determine whether the cultural background affects the way family firms behave when faced with a turnaround. However, further qualitative and quantitative research will be necessary to fully understand the turnaround process in family firms in its entirety.

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