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Business Survival During Economic Crises: A Comparison Between Family and Non-family Firms

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Abstract : Business survival is a question of greatest interest for any economy. Firm characteristics that can explain or predict performance and, ultimately, business survival become of the greatest significance, as the sustainable longevity of any business can mean health for the future of the country. Family Firms (FFs) are one of the most ubiquitous forms of business worldwide, as more than half of European firms (60%) are considered as family firms. Therefore, the inherent characteristics of FFs are one of the possible explanatory variables for firm survival because FFs have strategic goals that differentiate them from other types of businesses. Although there is literature on the performance of FFs across generations, there are fewer studies on the factors that impact the survival of family and non-family FFs, as there is a lack of data on failed firms. To address this gap, this paper explores the differential survival of family firms versus non-family firms with a representative sample of companies of the region of Catalonia (Northeast of Spain) that were adhoc classified as family or nonfamily firms, as well as classified as failed or surviving, since no census data for family firms or for failed firms is available in Spain. By using the COX regression model on a representative sample of 629 family and non-family firms, this study investigates to what extent financial ratios, such as Liquidity, Solvency Rate can impact business survival, taking into consideration the socioemotional side of family firms, as well as revealing the differences between family and non-family firms. The findings show that the liquidity rate is significant for non-family firm survival, whereas not for family firms. On the other hand, FFs can benefit while having a higher solvency rate. Ultimately, this paper discovers that FFs increase their chances of survival when they are small, as the growth in size starts negatively impacting the socioemotional objectives of the firm. This study proves the existence of significant differences between family and non-family firms' survival during economic crises, suggesting that the prioritization of emotional wealth creates distinct conditions for both types of firms.

Keywords : COX regression, economy crises, family firm, non-family firm, survival
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