

Crisis management in family firms: do religion and secularization of family decision-makers' matter?

Crisis
management in
family firms

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Abstract

Purpose – The unique dynamics of family firms (FFs) shape the management of financial crises. Religious and secular reasons, as a defining characteristic of this type of firm, provide a reference system for key management decisions. This paper aims to explore the under-researched topic of differences in FFs' crisis management between religious and secular family decision-makers (FDMs), considering secularization in developed countries.

Design/methodology/approach – The paper draws on a qualitative-empirical study of 14 large FFs from the DACH region (Germany, Austria and Switzerland), through both a media analysis and semi-structured interviews with FDMs who have significant influence on key management decisions.

Findings – Despite secularization, religion continues to influence managerial decisions such as crisis management in the DACH region. The findings show that crisis management differs across religious and secular FDMs, demonstrating the substantial impact of religious and secular reasons on operational and financial measures. Thus, religious and secular reasons may partially explain the complex and ambivalent crisis management of FFs. This indicates that religion shapes FF's key management decisions in the increasingly secularized DACH region. Religious FDMs are accountable to both the firm and to God, which fosters their own personal and financial resources during crisis management.

Originality/value – This paper contributes to the existing literature by exploring the impact of religion and secularization within developed countries. Further, it offers deeper insights into FF's crisis management and is one of the first studies to assess the impact of religion and secularization on operational and financial measures. This research derives five propositions for further research and discusses a broad range of original implications for theory and practice.

Keywords Family firms (FFs), Crisis management, Reorganization, Religion, Secularization, Decision-making
Paper type Research paper

1. Introduction

Family firms (FFs) are a vital part of the global economy, accounting for the majority of businesses worldwide (La Porta *et al.*, 1999; IFERA, 2003). Much of the literature considers FFs to be particularly vulnerable to financial crises, defined as situations that threaten a firm's liquidity (Gilson, 2012). Thus, FFs' long-term survival (Miller and Le Breton-Miller, 2021), which constitutes a primary goal for many FFs (Miller and Le Breton-Miller, 2005; Berrone *et al.*, 2012), is at risk. Consequently, financial crises are particularly challenging for the family and firm (Cater and Schwab, 2008; Kraus *et al.*, 2020), especially family members involved in the firms' management (family decision-makers, FDMs). However, financial crises do not necessarily result in business failure, as a set of extraordinary crisis management measures can lead to survival and new growth (McKinley *et al.*, 2014; Mayr and Lixl, 2019).

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In recent years, crisis management measures have received significant academic attention (Kraus *et al.*, 2020; Le Breton-Miller and Miller, 2022). In particular, numerous recent articles on the COVID-19 pandemic have investigated how FFs can effectively manage financial crises to mitigate the impact and ensure their long-term survival (De Massis and Rondi, 2020; Eckey and Memmel, 2022). Prior literature shows an ambivalence, highlighting that the unique dynamics of FFs (Sirmon and Hitt, 2003) significantly shape their crisis management (Cater and Schwab, 2008; Faghfour *et al.*, 2015; Mitter *et al.*, 2022). Crisis management can be divided into operational measures (restoring the firm's performance and profitability) and financial measures (restoring the firm's solvency) (Couwenberg and de Jong, 2006), both demonstrating the heterogeneity of FFs (Cater and Schwab, 2008; Kraus *et al.*, 2020). Thus, several scholars such as De Massis and Rondi (2020) advocate for further research to understand FFs' crisis management better.

Inasmuch as FFs are closely tied to the family (Gómez-Mejía *et al.*, 2007), FDMs significantly influence key management decisions of the firm (Miller and Le Breton-Miller, 2005; Kellermanns *et al.*, 2008). In particular, exploring their religiosity or secularity can explain FF's key management decisions (Discua Cruz, 2013; Kellermanns, 2013; Astrachan *et al.*, 2020). Given that the religious situation differs across the globe (Casanova, 2009, 2012), the societal influence of religion on everyday life is often strongly tied to a regional context. In the DACH region (Germany, Austria and Switzerland), despite increasing secularization, religion still plays an important part in many families and thus in FFs (Berger, 2012; Martin, 2017). However, existing FF-research on religion often refers to developing or emerging countries (Fathallah *et al.*, 2020; Çetin, 2021), while empirical evidence from developed countries such as the DACH region is scarce.

The DACH region, covering developed countries, is characterized by its historical ties to Christianity, with a significant portion of the population identifying as Christian. In recent years, although developments such as globalization and immigration contribute to growing presence of religious diversity, religious affiliation has been declining, leading to an increase in the number of people who identify as secular. Contrary, in developing or emerging countries, religion plays a more significant role in societies, with a larger portion of the population identifying with a particular religion. In general, people demonstrate higher religious affiliation and participation, while religion provides an ethical framework and guides personal and corporate behavior to a greater extent. As secularization constitutes a rather Eurocentric perspective (Berger, 2012), we expect the impact of religion on FFs from developed countries to differ from prior research on religion in FFs from developing or emerging countries (e.g. Fathallah *et al.*, 2020; Çetin, 2021). Accordingly, this constitutes a major research gap. Based on the existing body of literature in FF research, a more in-depth study of religion in FF is needed.

Given the recent developments in the religious situation of developed countries such as the DACH region, secularization theory may contribute to a better understanding of the influence of religion in FFs, their management decisions and subsequently society. Following the arguments of Astrachan *et al.* (2020), this influence of religion is particularly high in times of crisis. However, religion and secularization in FFs remain a major research gap. Despite a growing awareness among scholars and practitioners that religion may explain family members decision-making in financial crises (Astrachan *et al.*, 2020; Fathallah *et al.*, 2020; Calabrò *et al.*, 2021), existing studies offer only little understanding. Crisis management may demonstrate a unique context for exploring religion in FF research, promising original empirical evidence to facilitate understanding of religion in FFs. Furthermore, prior research shows mixed evidence on how FFs approach and implement operational and financial measures (Cater and Schwab, 2008; Kraus *et al.*, 2020). The extant research has largely neglected how these measures are reasoned by FDMs. Exploring religion in the specific context of FFs' crisis management may help to explain the unique dynamics of FDMs'

reference points that inform operational and financial measures. Including religion in research on FFs' crisis management can provide a deeper understanding of how FFs respond to financial crises, as well as shed light on the heterogeneity of FFs' crisis management. A differentiated examination of this topic represents a valuable addition to the FF literature. We derive the following research questions:

- (1) What are the differences in terms of operational and financial measures in crisis management between religious and secular FDMs?
- (2) What crisis management measures are religious and secular FDMs taking?

This paper applies a qualitative approach in order to gain a comprehensive understanding of secularization theory's implications within FFs' crisis management, which aligns both with the complex dynamics of secularization in the DACH region and FFs. Thus, we draw on a qualitative-empirical study of 14 large FFs from the DACH region with extensive crisis management experience and which have religious or secular FDMs. This study contributes to the FF literature in three important ways. First, this is among the first studies to examine empirically the theoretical considerations of secularization (Berger, 1977, 2012) and post-secular society (Habermas, 2010) in the context of business. Moreover, in contrast to prior research on religion in FFs from developing or emerging countries (Fathallah *et al.*, 2020; Çetin, 2021), our study provides evidence from developed countries (DACH region). Due to the increasingly secularized religious situation in the DACH region, this article extends the secularization theory by showing situations in developed countries where religion still has a strong influence on business. Second, our study deepens the understanding of the complex interplay between religion, family and business in the challenging context of managing financial crises. Our findings suggest that religious and secular reasons play an important role in coping with financial crises and may explain different crisis responses. Third, our article furthers the understanding of the heterogeneity of FFs' behavior. Exploring religion in financial crises helps to identify potential sources of success and conflict within FFs' crisis management, which can explain the ambivalent existing evidence of crisis management.

The remainder of this paper is organized as follows. Section 2 provides a brief overview on the theoretical background and the state of the art. Section 3 explains the methodology informing this study. Section 4 presents the empirical findings, which are discussed in Section 5. Section 6 provides practical implications, and Section 7 concludes the paper with limitations and further research.

2. Theoretical background and state of the art

2.1 Religion and secularization in family firms

FF research is increasingly interested in religion (Astrachan *et al.*, 2020; Çetin, 2021). Kellermanns (2013, p. 114) argues that religion is a "powerful aspect of the family business" and advocates for further research to facilitate greater understanding of the topic. We follow a functionalist approach and define religion in line with Geertz's "(1) a system of symbols which acts to (2) establish powerful, pervasive and long-lasting moods and motivations in men [sic] by (3) formulating conceptions of a general order of existence and (4) clothing these conceptions with such an aura of factuality that (5) the moods and motivations seem uniquely realistic" (Geertz, 1973, p. 90). In contrast, "secular" describes a worldly view of society that has no relation to religiosity and is therefore considered neutral regarding religion (Lee, 2015).

Religion in the DACH region is currently undergoing profound changes. Although the literature still describes these countries as increasingly secularized, recent developments such as globalization and migration are giving religion a new societal importance (Habermas, 2006; Berger, 2012). This has implications on business and is particularly relevant where

private owners are involved, such as in FFs. Given that FFs management decisions are strongly shaped by the religiosity or secularity of FDMs (Kellermanns, 2013; Fathallah *et al.*, 2020; Çetin, 2021), it is precisely these religious and secular considerations that are changing in society (Martin, 2017).

Secularization theory seeks to explain the decline of religion in modern societies such as the DACH region. Advocates like Berger (1977) argue that as societies become more modern, religious beliefs and practices become less important and are gradually replaced by other social institutions (e.g. science, human reason). The theory assumes the separation of religion and state, where religion is expelled from the public sphere (e.g. government, firms) and finds a place only in the private sphere (e.g. family, individual relationships). Thus, secularization shifts reference points toward secular decision-making in the public sphere, while religion remains important in the private sphere. Religion does not disappear, but rather loses its dominant role in society.

In FF research, secularization theory may influence the management decisions of FDMs. Following the arguments of Berger (1977), FDMs may be less likely to rely on religion when making management decisions. Instead, FDMs may reflect the principles of secularization theory by relying on other sources such as science or human reason.

However, critics of secularization theory argue that despite the decline of religious institutions, religion remains a powerful force in modern societies (Berger, 2012; Fisher, 2017). Instead, such critics suggest that new religious movements and practices have emerged as people search for meaning and purpose in their lives. This trend could be reinforced by current migration movements, stimulating religious reflection (Martin, 2017). However, despite these criticisms, secularization theory remains important for understanding the role of religion in modern societies such as the DACH region.

In contrast to secularization theory, Habermas (2006, 2010) extends the key assumptions through his post-secular society, emphasizing the continued importance of religion even in modern societies. Religion is no longer seen as a private matter but rather as an essential part of public discourse, where individuals engage in rational discussion. Habermas (2010) advocates for an open dialogue between religion and reason, while Berger (2012) argues that religious discourse can coexist with secular discourse. In this view, an individual can be both religious and secular at the same time, and religion becomes a matter of individual choice. Thus, individuals in modern societies can draw on various sources for decision-making, including religion.

Within FF research, a post-secular society may lead to a high discourse capacity of religious FDMs. On the one hand, religious FDMs operate in an increasingly secular society and are affected by current changes such as globalization and migration. On the other hand, religious FDMs may consciously pursue religion as a source for management decisions. Moreover, given the strong bond between family and firm (Miller and Le Breton-Miller, 2005; Gómez-Mejía *et al.*, 2007), FFs may play an important role in preserving religion in the business context of modern societies such as the DACH region. This applies especially in times of financial crisis (Astrachan *et al.*, 2020) and has significant implications for FFs, as religious FDMs may consider religious sources as a basis for crisis management. Accordingly, and in line with scholars such as Kellermanns (2013), exploring religion presents a promising area for FF research. This applies in particular to the DACH region, as empirical studies from developed countries are largely lacking (Faghfoury *et al.*, 2015) and the region is undergoing religious change (e.g. secularization, migration) (Martin, 2017). Given the limited knowledge of religion in modern societies and the complex phenomenon of secularization theory, a more in-depth analysis within a qualitative approach is needed for FF research, which aligns with the intricate and multifaceted nature of both secularization theory and FF dynamics.

2.2 Crisis management in family firms

Financial crises can be defined as a situation that threatens a firm's liquidity (Gilson, 2012), which comprises both internally and externally induced crises. Given the typical characteristics of FFs (Sirmon and Hitt, 2003; Gómez-Mejía *et al.*, 2007), a large body of literature suggests they are vulnerable to financial crises (Miller and Le Breton-Miller, 2021). This threatens the long-term survival of the firm and thus the overarching goal that characterizes many FFs (Miller and Le Breton-Miller, 2005; Gómez-Mejía *et al.*, 2007). Accordingly, financial crises are of major concern for FFs (Shepherd, 2009) and thus crisis management represents a significant challenge for FDMs (Cater and Schwab, 2008).

However, financial crises do not necessarily lead to business failure (Lukason and Hoffman, 2014), as they can be an opportunity for new growth through effective crisis management (McKinley *et al.*, 2014; Mayr and Lixl, 2019). Crisis management comprises extraordinary measures intended to restore a firm's profitability and liquidity, thereby ensuring long-term survival and competitiveness. This broad set of measures can be divided into (a) operational measures aimed at restoring the firm's performance and profitability by increasing revenues and reducing costs and (b) financial measures aimed at restoring the firm's solvency by deferral or cancellation of debt and raising of new financial capital (Couwenberg and de Jong, 2006; Mayr and Lixl, 2019).

The crisis management of FFs is largely determined by the characteristics of this type of firm, in which the family exerts a formative role (Cater and Schwab, 2008; Kraus *et al.*, 2020). Given that family has a strong influence on the firm's management (Gómez-Mejía *et al.*, 2007; Kellermanns *et al.*, 2008) and also the necessary power to assert ideas in terms of key management decisions (Miller and Le Breton-Miller, 2005; Zellweger *et al.*, 2012), FDMs are willing to make sacrifices or take risks to protect the firm. Although FFs generally face mixed gamble with regard to socio-emotional wealth (Gómez-Mejía *et al.*, 2014, 2023), when it comes to preserving the firm in a financial crisis, long-term orientation is paramount (Cater and Schwab, 2008; Sun *et al.*, 2019; Firfiray and Gómez-Mejía, 2021). Thus, FDMs are also willing to make difficult decisions that prioritize the long-term survival of the firm (Gómez-Mejía *et al.*, 2007; Berrone *et al.*, 2012), rather than short-term financial goals (Lins *et al.*, 2013; Minichilli *et al.*, 2016). In addition, FDMs often reflect their values, which are defined by a long-term character, in their goals and behavior (Aronoff, 2004; Lumpkin and Brigham, 2011).

Existing studies indicate ambivalence toward crisis management by showing that FFs largely differ in their operational and financial measures. Further, FFs show a low level of formalized crisis management (Faghfour *et al.*, 2015), instead demonstrating informal, flexible and fast decision-making toward operational and financial measures (Hall and Nordqvist, 2008; Faghfour *et al.*, 2015). This can foster a rapid and innovative strategic realignment (Bauweraerts, 2013; Kraus *et al.*, 2020), but since FDMs typically tend to preserve traditions (Erdogan *et al.*, 2020) and closely align management decisions with their own considerations (Dyer and Whetten, 2006), they can also insist on existing business models (van Essen *et al.*, 2015; Kraus *et al.*, 2020).

Cater and Schwab (2008) propose that FFs tend to rely on top management changes, strategic realignment and cost reduction. Due to the typical overlap between ownership and management, changes in family members are rarely desired, but instead FFs implement additional expertise from non-family managers (Cater and Schwab, 2008; Mayr and Lixl, 2019). However, necessary measures from a business perspective (e.g. layoffs) (Cater and Schwab, 2008; Bauweraerts and Colot, 2013) may be prohibited by the impact of FDMs, such as high emotional attachment to the firm (Berrone *et al.*, 2012), a strong bond to stakeholders (Dyer and Whetten, 2006) and reputation concerns (Sageder *et al.*, 2018). FFs may combine innovation with their traditions (De Massis *et al.*, 2016) and also with their beliefs (Erdogan *et al.*, 2020), but avoid radical innovations (Hu and Hughes, 2020).

Moreover, in terms of financial measures, FFs are generally characterized by a long-term orientation and strive for independence (Miller and Le Breton-Miller, 2005; Gómez-Mejía *et al.*, 2007). Thus, FDMs often prioritize new financing from family shareholders (Cater and Schwab, 2008) and prohibit measures that could jeopardize high equity ratio (e.g. taking new debt) (Lins *et al.*, 2013; Faghfour *et al.*, 2015). However, extant studies provide mixed evidence on debt financing. On the one hand, FFs raise little to no new debt financing (Arrondo-García *et al.*, 2016; Macciocchi and Tiscini, 2016) or even reduce debt during financial crises (D'Aurizio *et al.*, 2015). On the other hand, studies show, for example, that new financing from house banks are of great importance (Mayr and Lixl, 2019; Mzid *et al.*, 2019).

In summary, the FF literature on crisis management shows an ambivalence towards operational and financial measures. Existing research suggests that FFs' approach to financial crises differs and is largely shaped by their characteristics, primarily the influence of FDMs. Following indications from the literature (Kellermanns, 2013; Paterson *et al.*, 2013; Astrachan *et al.*, 2020; Çetin, 2021), both religion and secularization significantly shape FFs decision-making, and their impact further increases during financial crises (Astrachan *et al.*, 2020). Thus, we argue that FF crisis management differs across religious and secular FDMs.

2.3 State of the art

The FF literature suggests ambivalence about both financial crises (Cater and Schwab, 2008; Faghfour *et al.*, 2015; Minichilli *et al.*, 2016; Calabrò *et al.*, 2021) and strategies to overcome them (Bauweraerts, 2013; Lins *et al.*, 2013). More recently, the COVID-19 pandemic has posed enormous challenges for FFs, resulting in a significant rise in academic scrutiny of crisis management (De Massis and Rondi, 2020; Soluk *et al.*, 2021; Eckey and Memmel, 2022; Le Breton-Miller and Miller, 2022). Research has found that financial crises can trigger different responses towards crisis management (Eckey and Memmel, 2022; Crespo *et al.*, 2023). Early evidence by Kraus *et al.* (2020) shows that FFs are able to respond quickly by adapting their business models and using digital technologies to optimize their business processes. Further studies show that FFs change their organizational behavior and enhance their adaptive capacity (Soluk *et al.*, 2021; Crespo *et al.*, 2023), can adopt effective crisis management practices and maintain stakeholder trust (Mitter *et al.*, 2022). FFs with a higher financing capacity and a stronger focus on internationalization (Eckey and Memmel, 2022), as well as a high level of innovation before a crisis (Leppäaho and Ritala, 2022), are better able to cope with the challenges of pandemics.

However, there is mixed empirical evidence on crisis management showing that FFs differ in their responses to financial crises. In addition, studies also show contradictory findings (Crespo *et al.*, 2023; Mihotić *et al.*, 2023). This highlights the need for an in-depth analysis of FFs and an exploration of the different factors related to FDMs. Scholars attribute these different financial crisis responses to their specific characteristics and especially to the influence of FDMs (Cater and Schwab, 2008; Eckey and Memmel, 2022). To date, FF research has paid little attention to religion in the context of crisis management, although extensive literature indicates that FFs' operational and financial measures may differ across religious and secular FDMs.

The increasing number of FF studies indicating heterogeneity in crisis management across family characteristics provokes consideration of how religious and secular FDMs differ with respect to operational and financial measures. Despite an increasing number of studies on crisis management in FFs, the influence of religious and secular FDMs has been scarcely explored. Only a few articles indicate how the religiosity of FDMs might affect operational and financial measures. Although religion has been increasingly explored in FF research and has contributed significantly to the understanding of FFs (Kellermanns, 2013; Carradus *et al.*, 2020), to date there is little empirical evidence in the context of crisis management. Thus, in line with recent claims

from the literature (Fathallah *et al.*, 2020; Kavas *et al.*, 2020), the understanding of religion in FF research is still limited.

3. Methodology

3.1 Research design

This research adopts an exploratory qualitative research design, which suits best to research the complex and under-researched phenomenon of religion in FFs' crisis management (De Massis and Kotlar, 2014). Given the scarce knowledge of religion in FFs from developed countries, an in-depth study of religion contributes to the literature by enabling a nuanced exploration of the diverse ways in which secularization theory manifests within varying FFs contexts, allowing for a deeper understanding of how religious shifts impact the values and management decisions that characterize these types of firms. Using qualitative interviews as methods unveils nuanced insights into how secularization impacts FFs, emphasizing the contextual understanding of the religious situation in the DACH region.

Further, prior studies on crisis and crisis management in FFs do not allow for implications on the specifics of religion, since religion can foster unique dynamics in FFs. Crisis represent a distinct area of research due to their characteristics within FFs (e.g. emotional attachment, existential threat), so existing paradigms that explain religion within decision-making of FFs on a general level cannot be applied to crisis management. Third, prior literature emphasizes ambivalent findings on FFs' crisis management, which highlights the need to reconsider determinants of operational and financial measures that might be religion. Hence, given this limited understanding of religion in crisis management and the heterogeneity of FFs, qualitative research is crucial for developing insights and advancing FF research (Reay, 2014; De Massis and Kammerlander, 2021). Qualitative research provides additional insights into crisis management (Byrne and Shepherd, 2015) and addresses the complexity of FFs (De Massis and Kammerlander, 2021), complementing the majority of quantitative research (Çetin, 2021; Crespo *et al.*, 2023). Therefore, following recent studies (Leppäaho and Ritala, 2022; Mitter *et al.*, 2022), we adopt a qualitative and interpretative approach to gather rich data (De Massis and Kotlar, 2014; Nordqvist *et al.*, 2009). Thus, by exploring the influence of religion and secularization on the crisis management of FFs (Nordqvist *et al.*, 2009), we provide valuable understanding of how FFs deal with financial crises.

3.2 Case selection and data collection

Our article builds on a study of FFs from the DACH region. The focus on these countries is due to the culturally homogenous background (e.g. religious situation) as well as the similar institutional context in crisis management (e.g. out of court reorganization). We apply purposive sampling (Eisenhardt and Graebner, 2007; De Massis and Kotlar, 2014; Miles *et al.*, 2019), selecting cases that are particularly suitable for exploring our research questions by particularly illustrating either religious or secular influence of family members on key management decisions of their firm. Relevant FFs were identified through, e.g. Internet searches, networks and personal contacts. To be included, several criteria must be met. First, either religiosity or secularity must be pronounced at the corporate level. This includes, for example, religious sources on the homepage and financial or personal involvement with religious communities. Second, following a key-informant approach (Kumar *et al.*, 1993) and in line with methodological suggestions in the study of religion in FFs (Bhatnagar *et al.*, 2021), interviewees were required to have significant influence over the firm's management decisions by holding the position of chief executive officer (CEO) (De Massis *et al.*, 2013). Third, the firms included in the study were required to employ a minimum of approximately 180 employees to ensure that the family CEO had extensive management experience.

Data collection took place between February 2021 and July 2021. Focusing on interviews with family CEOs, we found a profound level of redundancy in their responses and only little new information at the end of data collection. Instead, the last sampled firms demonstrated the findings of prior sampled firms. Thus, this yielded in a final sample of 14 FFs (Table 1), providing a sufficient level of confidence for our study. In line with Miles *et al.* (2019), a relatively small, purposively selected, and in-depth studied sample suits best to facilitate understanding of complex and subjective phenomena such as religion in FFs. This sample includes both religious (Christian) and secular FDMs and covers a large variety of contextual factors such as firm size, industry and generation. Thus, although firms were selected for being illustrative examples in terms of religion and secularization, the sample correspond to the parts of the FFs' landscape of interest in the DACH region.

To collect data and as recommended by De Massis and Kotlar (2014), we draw on different sources of data to increase rigor of qualitative research. First, given the complex phenomenon of religion in FFs, semi-structured interviews were used with FDMs of the selected firms. Qualitative interviews comprised the vast majority of the data collected. Interviewees were recruited by mail and interviews were then conducted either in person or through online meetings. One interview was conducted for each firm with the family CEO (Kumar *et al.*, 1993), lasting an average of 75 min. Interviewees ranged of age (37 years and 77 years), gender (one female, 13 male) and religiosity (eight Christian FDMs, six secular FDMs). To obtain rich data and in-depth understanding, and to minimize the influence of individual researchers, all interviews were conducted jointly by two interviewers who also took fieldnotes immediately afterward. The semi-structured interview guide covered several different topics adapted to the specific situation and supplemented with additional in-depth questions. Given the interdisciplinary character of this study, scholars from different disciplines were involved in the interview guide. First, we talked about the firm and family context, and the religious and/or secular considerations that shaped each. We then explored these considerations in the context of various management decisions (e.g. corporate social responsibility, mergers and

Code	Firm			Current main owner's number of generation	Family members are part of the management team	Interviewee		Duration (minutes)
	Country	Number of employees	Annual revenue (Euro millions)			Position	Religion	
FF1	Austria	500–1,999	110	3	Yes	CEO	Secular	70
FF2	Austria	5,000–9,999	1,100	3–4	Yes	CEO	Secular	60
FF3	Austria	500–1,999	180	2–3	Yes	CEO	Secular	112
FF4	Austria	2,000–4,999	490	3	Yes	CEO	Secular	56
FF5	Germany	500–1,999	490	1	Yes	CEO	Religious	94
FF6	Austria	180–499	10	2–3	Yes	CEO	Religious	82
FF7	Switzerland	500–1,999	110	3	Yes	CEO	Religious	82
FF8	Germany	180–499	40	2–3	Yes	CEO	Religious	84
FF9	Austria	180–499	15	4	Yes	CEO	Religious	78
FF10	Austria	500–1,999	280	2	Yes	CEO	Secular	140
FF11	Germany	500–1,999	275	3	Yes	CEO	Religious	69
FF12	Germany	2,000–4,999	300	≥8	Yes	CEO	Religious	69
FF13	Germany	2,000–4,999	290	3	Yes	CEO	Religious	49
FF14	Austria	500–1,999	80	2	Yes	CEO	Secular	58
Σ 14 firms								Σ 1,043 min

Table 1.

Overview of the sample Source(s): Created by authors

acquisitions, management control systems) in order to rule out subjective biases (De Massis and Kotlar, 2014). Focus was placed on financial crises consistent with the definition of Gilson (2012), including past crises, current crises (especially the COVID pandemic, which falls within the data collection period) and statements about hypothetical crisis situations.

All interviews were recorded, resulting in 1,043 min of qualitative data. Next, interviews were transcribed, anonymized and sent to the interviewees for approval to rule out misunderstandings and confirm accuracy and clarity. Furthermore, to rule out subjectivity, interviewees could contribute additional perspectives to our transcripts (De Massis and Kotlar, 2014). Transcripts were included in the data analysis only with the written informed consent of the interviewees. Afterward, the transcripts were reviewed by other investigators that did not author this article. To facilitate construct validity, we conducted a pretest of our interview guide. In addition, after data collection, we shared the transcripts and organized an event where we presented and discussed our preliminary findings with our interviewees as well as scholars from different disciplines. Comparative analysis of the sampled FFs increased internal validity of our findings (De Massis and Kotlar, 2014). Moreover, to ensure rigor in research, we included all publicly available secondary data, such as websites, annual reports, codes of conduct, press reports and employee reviews. This information was primarily used to confirm and clarify the interview data in order to reduce respondent bias, the triangulated interview data forms the core of our research. Critical reviewing interview data via data triangulation is especially important when dealing with FFs and, further, with topics of FFs that might be perceived differently (e.g. layoffs in crisis management of family members and employees) (De Massis and Kotlar, 2014). Furthermore, data triangulation also provides additional information that contributes to a better understanding of the context of the sampled firms (De Massis and Kotlar, 2014).

3.3 Data analysis

The data analysis follows recommendations by Miles *et al.* (2019) and applies a multiple coder approach. All data analysis steps were performed by several coders to improve investigator triangulation (De Massis and Kotlar, 2014; Miles *et al.*, 2019). To ensure rigor, this was done independently and in tandem. Each step was then discussed and consolidated. Further, we used the collected data from the media analysis to ensure interview data validity. First, we classified the FFs according to the religious or secular character of the family decision-maker pronounced at the corporate level. This was done inductively, considering factors such as values, images and metaphors evident in ways of acting within the firm (e.g. reasons behind management decisions). Thus, inductive data confirm the classification from our sampling strategy. For instance, the classification “religious” was assigned to FDMs based on statements like, “There is a blessing on our company” (FF5, religious). As a result, we classified eight religious FDMs and six secular FDMs.

Data analysis relies on multiple readings and interpretations of our qualitative texts from the interviews and media analysis. We coded all data segments referring to financial crises, crisis management measures and the reasoning that lies implicitly and explicitly behind measures. Next, these codes were merged into broader pattern codes and sorted according to operational and financial measures (Couwenberg and de Jong, 2006; Mayr and Lixl, 2019). This process was guided by multiple joint reviews and iterations between the authors. Further, to structure our research, the findings are organized against our classification of religious and secular FDMs. To make further sense of the data, the findings are discussed against the theoretical background of secularization theory (Berger, 1977, 2012) and post-secular society (Habermas, 2006, 2010). The key findings and illustrative quotations are presented in the next section.

4. Findings

4.1 *Operational measures*

Religious and secular FDMs differ largely in terms of rationales and reasoning operational measures. In the context of the increasingly secularized DACH region, religious sources can provide a basis for FFs' crisis management. Although both religious and secular FDMs demonstrate a high sense of responsibility in financial crisis (e.g. towards key stakeholders such as employees), religious FDMs are characterized by a higher level through their responsibility towards God. This overarching religious perspective is strongly formative in times of crisis, wherefore the justification structures for operational measures differ between religious and secular FDMs. In general, religious FDMs reflect religious reasons as guiding principles for crisis management. Religion, in particular, provides a high level of obligation and thus shapes operational measures (e.g. responsible communication based on equality). As a result, stakeholders tend to support better the operational measures taken. Nevertheless, including religion in operational measures requires conscious considerations towards secular stakeholders.

Our values have the same (. .) meaning in good and in bad times (. .). I don't want to throw my morals overboard in times of crises (FF11, religious).

However, religious FDMs feel responsible to both religion (e.g. God, eternal perspective) and the firm (e.g. employees). Thus, in times of financial crisis, religious FDMs may also adopt measures that have major impacts on the firm and affect stakeholders. This is particularly evident when their firm is substantially affected by financial crises and they have prior experience with crisis management.

I think you can manage financial crises with a reasonable understanding of values, but you still have to be realistic (. .) and at the end of the day you have to make a choice between surviving or dying in glory. I'm very happy to choose survival, and that means taking unpopular measures (. .) (FF12, religious).

Christianity (. .) does not mean that you cannot set clear boundaries, create clarity. On the contrary, if you look at the Bible, there is a lot of clarity (. .) (FF5 religious).

In times of financial crisis, the influence of religious FDMs on their firm's management increases (e.g. leading by example). Thus, their religiosity becomes more central to the firm. Following religious reasons, religious FDMs tend to prioritize leading internal stakeholders through financial crises rather than focusing on business outcomes.

I think religion is very broad when you look at the 10 commandments, which are things like cheating, lying and so on. I think the example of values is very important, and I think you can lead a group away from suffering. Or lead them in a direction (FF9, religious).

Further, certain operational measures are not implemented for the entire firm until they have first been supported by the family (e.g. forgoing salary components, bonuses, company cars). In addition, religious FDMs can take a broader perspective and can be willing to make personal sacrifices that may not directly benefit business.

When it comes to cost-cutting, it's also about managing expectations. (. .) During the tough times we had, I canceled a lot of memberships in associations and all kinds of things (. .). I think you have to lead the way and start with yourself and show that you are willing to sacrifice yourself and be willing to suffer (. .), not just in terms of money (. .) (FF12, religious).

Religious FDMs implement cost reduction programs, but often only to the extent that they do not adversely affect any key stakeholder. Thus, cost drivers such as employees and corporate social responsibility are largely excluded from cost reduction programs. Religious FDMs often encourage charitable giving, particularly during times of financial crisis. In addition,

even ongoing efficiency programs are suspended so that employees do not feel that their jobs are being rationalized away. Thus, religious considerations outweigh business considerations.

We paradoxically deliberately suspended [our cost reduction program] at the beginning of the crisis because we said that the goal of [our cost reduction program] should never be misunderstood, that people think I'm rationalizing myself away here. (...) That's why we immediately suspended although we actually needed business awareness (...) (FF7, religious).

Based on the high importance of religious FDMs within their firm, personnel changes in management are rare. This applies especially for non-family experts, who are rarely included. However, due to the cohesive nature of religion in financial crises, new family members might join the management team to contribute to turnaround regardless of individual interests.

Then I felt, also from God, that I put the commandment to 'honor father and mother' above my career plans and came back [to the FF]. And that helped my father incredibly, that I supported him (FF8, religious).

Secular FDMs often aim at restructuring the firm by downsizing and refocusing on core competencies. Nevertheless, hardly any cost reduction programs exist due to long-term business considerations. Although cost-cutting programs would help to overcome financial crises in the short term, they undermine stakeholder trust, which is a basis for any future business relationship and thus the continued existence of the firm.

Secular FDMs tend to focus on operational measures that ensure rational decision-making, such as the implementation of non-family experts to management positions or the involvement of financial crisis experts in corporate decision-making. This also includes advisory tasks as well as decision-making authority if the family has known the person for several years. Financial crises require special skills, not all of which are available in the owning family. In many cases, this is linked to the professionalization of crisis management. Further, secular FDMs place more emphasis on providing transparent information during financial crises, which subsequently form the basis for operational measures. For this reason, the management accounting and the reporting system are expanded during financial crises.

Secular FDMs demonstrate high employee orientation during financial crises, although their motives differ greatly from religious FDMs. On the one hand, the retention of employees is based on a long-term orientation and the renunciation of short-term business considerations through headcount reductions. On the other hand, employees will be needed when financial crises are over and should therefore be retained during a crisis.

We don't have layoffs, I deny that. [...] We have a lot of longtime employees and I can't fire any of them, it's not possible. [...] It's simple, no matter what function, department manager, cleaning lady, I can't fire them, it's not possible. Because why not? Not even out of self-interest, because one day I'll need them again, you know? And they can do what they do, now we just have to get through a few more months and they are happy that they can continue to work, they will honor that or not, it doesn't matter. I feel comfortable with it, I say we are like that [...]. Family business has to think long term, what's going to happen in three years, I know everybody personally, I can't say we're going to cut them out (FF3, secular).

4.2 Financial measures

Financial measures show distinct differences between religious and secular FDMs. Religious decision-makers prioritize religious considerations over business concerns when approaching financial measures and see themselves as responsible to a higher authority (e.g. God), as well as to the FF. As much as religious FDMs assume responsibility for financial

crises, they aim to prevent stakeholders from being financially involved and experiencing financial harm. Further, the public should not have to bear the cost of financial crises.

Thus, crisis management should ideally not be financed by new debt and creditors (e.g. banks). This is evident in supplier credit financing, considered religiously unacceptable due to the potential risk it poses to suppliers in case of the FFs' bankruptcy.

So far, we have always paid off our debts, so we have not caused any harm. I would try to prevent that, so I would certainly not deliberately drive a company into bankruptcy and maybe even deliberately build up supplier debts, so I would not do that (FF12, religious).

In addition, religious FDMs avoid a debt cut (e.g. reorganization within formal proceedings) from other stakeholders such as suppliers or banks.

We have always said no [to reorganization within formal proceedings] (. . .) We'll do it properly, with early retirement and with funds from the group, so we don't have to do it through bankruptcy law (FF7, religious).

Nevertheless, when highly affected by financial crises as well as having extensive experience with previous financial crises, reorganization within formal proceedings is considered a legitimate measure. Both factors influence the extent to which business concerns prevail over religious considerations. In the last instance, religious FDMs follow business considerations and thus secular reasons.

There are some [FDMs] who have to use [reorganization within formal proceedings]. Because if I don't have any more money or liquid assets, I have no other choice, even if I'm the greatest Christian. On the other hand, to choose this as a business measure or a strategy where it is not necessary, is something that I strongly disagree with (FF6, religious).

The decision to seek public financial support is influenced by religious FDMs' subjective responsibility for financial crises. If crises are externally induced (e.g. COVID), they do not consider themselves responsible and thus financial support is legitimate. Likewise, in internally-induced crises, religious FDMs tend not to seek financial support as they consider themselves responsible. Therefore, financial crises should be overcome primarily through the firm's own financial resources, without placing the burden on the public.

Instead, religious FDMs rely on self-financing and financial reserves to maintain the financing of crisis management. Further, religious FDMs tend to generate new financial capital from private sources such as family and friends. This is essentially due to religion, which is associated with high levels of family cohesion, reliability and value congruence within the community.

Religion seems to give confidence especially to internal stakeholders, fostering a collective determination to overcome financial crises. This confidence is reflected in financial measures implemented by religious FDMs.

We had to cut 10% of the staff (. . .). I said, 'Guys, we have two options now. We can temporarily cut this total as a percentage of your salaries evenly, or we can fire these 10[% of the staff]. Personally, I'm in favor of cutting salaries temporarily, and we promise you that as soon as we start making money again, we'll pay you back. So you lend us the money for the crises. All those in favor, I'd like a show of hands.' And we did that twice, and twice people voted with an absolute majority not to lay people off, but to give up wages. And we only did it once in the beginning, and of course we kept our promise and paid the wages back and even paid a bonus when things got better (FF8, religious).

In contrast, secular FDMs often argue that financial crises should be funded primarily by shareholders to avoid jeopardizing the firms' independence. Thus, business considerations as well as characteristics of FFs shape financial measures.

In an operating firm a lot of things are done from my point of view, so I do not want to have to discuss with a banker (. . .) whether my strategy is the right one or not (FF10, secular).

Nevertheless, unless these financial possibilities are insufficient, secular FDMs tend to rely more on new financing from banks. This is often a short-term measure to secure funding for crisis management. In the long term, however, secular FDMs try to generate sufficient financial resources from operational business to repay loans. A high level of crisis experience leads to a low level of new debt, although business necessity may prevail if the firm is highly affected by the financial crises. Thus, FF characteristics dominate and supersede other considerations.

Secular FDMs view the use of bankruptcy law as a legitimate option when the survival of the entire firm is at stake and the well-being of key stakeholders, such as family shareholders and employees, is at risk. For this reason, they prioritize the continued existence of the firm and may consider measures such as liquidating national subsidiaries through bankruptcy law as a possible, albeit secondary, solution in cases of uncertainty. The reference point is the protection of internal stakeholders (e.g. employee retention) rather than of external stakeholders (e.g. the public).

We (...) had to go into bankruptcy, but it was still to protect the whole company (...). Unfortunately, we had to make that decision (...), but the firm continued to operate. (...) It was a very difficult decision, but it was definitely the right one, because at some point choices have to be made when things don't work out (FF4, secular).

Insofar as financial crises reduce capacity utilization, with management thus gaining time resources, the financing strategy and especially debt financing were adjusted. Justification structures toward new loans differ fundamentally between religious and secular family members. For instance, FF10 reduced its loan volume immediately after overcoming a financial crisis. This is secularly linked to past experience with creditors, who can lead to financial crises by maturing of debt and thus to the impact on the firm.

5. Discussion and conclusions

FDMs strongly influence key management decisions (Gómez-Mejía *et al.*, 2007) and particularly crisis management (Cater and Schwab, 2008; Kraus *et al.*, 2020), in line with long-term survival (Miller and Le Breton-Miller, 2005). Our study extends the literature by analyzing FDMs religiosity or secularity within FFs' crisis management. In choosing a qualitative design, this article gains a comprehensive understanding of secularization theory's implications in FFs, contributing original insights to both theory and practice in FF research. The study provides, for the first time, empirical evidence on secularization theory for the context of business and, further, evidence on the influence of religion on FFs from developed countries such as the DACH region. It extends the secularization theory for FFs in the DACH region by identifying situations in developed countries where religion remains highly influential. Further, our study presents original evidence, highlighting unique characteristics of religious and secular FDMs towards operational and financial measures. Overall, the study deepens our understanding of the complex interplay between religion, family and business in the context of crisis management. Figure 1 provides an overview of the main findings, which lead to five propositions.

Our research reveals substantial differences in the reasoning of operational and financial measures between religious and secular FDMs. Their approaches are strongly influenced by religious sources (e.g. the Bible) or secular sources (e.g. business considerations). Consequently, the implementation of operational and financial measures varies, aligning with the ambivalence of FFs' crisis management presented in previous studies (see Cater and Schwab, 2008; Kraus *et al.*, 2020). As shown in Figure 1, religious FDMs show a high level of reflection in relation to their formative religious sources in times of financial crisis. This relates to secularization and the need to justify and moderate religion in the increasingly

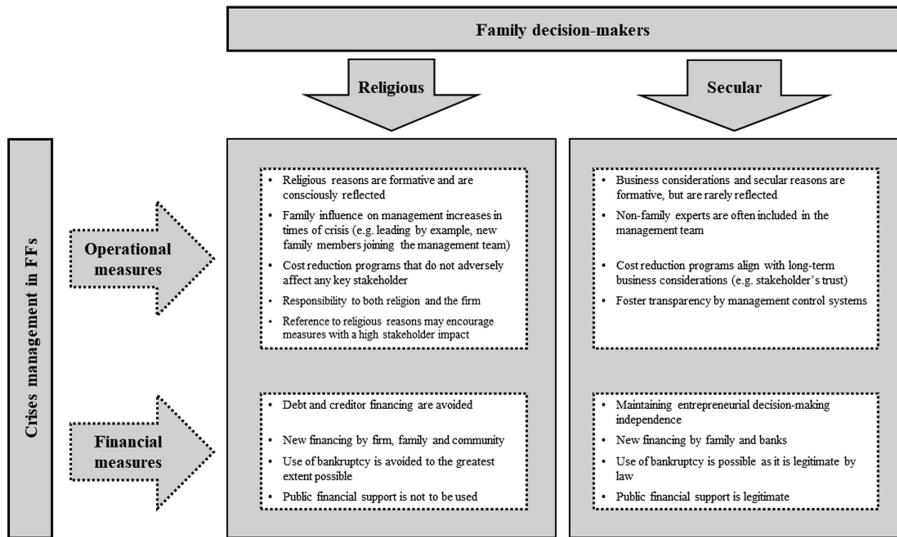


Figure 1.
Main findings

Source(s): Created by authors

secular DACH region. In particular, religious FDMs act in accordance with their beliefs about eternity and God, taking responsibility for both religion and the firm. The measures taken are balanced accordingly. However, contrary to findings from prior literature (Fathallah *et al.*, 2020; Azouz *et al.*, 2021), religion does not necessarily limit the impact of measures on the firm and stakeholders. Instead, moderated by prior financial crisis experience and being highly affected by financial crises, religious FDMs may adopt measures that highly impact the firm and stakeholders. This leads us to the following proposition:

- P1.* In financial crises, religious FDMs balance both religious and business considerations, drawing from religious sources that serve as a basis for FFs' crisis management.

Crisis management involves extensive communication with key stakeholders. In this context and in line with Paterson *et al.* (2013) and Azouz *et al.* (2021), religion tends to enhance moral behavior, contributing to a shared set of values that instills stakeholder confidence during financial crises and facilitates operational and financial measures. FDMs often engage deeply with local stakeholders (Dyer and Whetten, 2006), and our study extends this perspective to include religious reasons, with religious FDMs particularly attentive to internal stakeholders (e.g. employees). Such decision-makers often attribute a special role to themselves within the firm, sometimes drawing from biblical motifs. Given that stakeholders' trust is essential for crisis management (Mayr and Lixl, 2019), our study may add to the findings of Koiranen (2002), who associates values commonly linked with religion (e.g. honesty, credibility, trust) (Barbera *et al.*, 2020) with FF longevity. This leads to the following proposition:

- P2.* Religion can change the reference points for crisis management of FFs, as religious FDMs feel responsible towards God.

As illustrated in Figure 1, secular FDMs demonstrate the considerations of secularization by strictly separating religion from business. There is no connection to religion, both consciously and unconsciously. Moreover, secular FDMs tend to rely on secular reasons, but show low

levels of reflection in this regard. There is little critical questioning of which reasons are formative and how these are incorporated into crisis management. Further, the owner family generation tends to moderate the influence of religious and secular reasons. Secular FDMs may implicitly draw on religious considerations from previous generations, particularly when the firm has successfully overcome financial crises based on religious sources.

This study is among the first to examine empirically the theoretical considerations of secularization theory for business as a subsystem of society. The FFs analyzed demonstrate how FDMs moderate religious and secular reasons between the private and public spheres, based on the depending systems of the family and business. Our findings provide support for post-secular society, as proposed by Habermas (2010), wherein FDMs adopt a reflexive approach to crisis management by drawing on various sources, including religion. Moreover, our study reveals that religious and secular reasons can coexist and intentionally intertwine to guide operational and financial measures. This leads to the following proposition:

- P3.* Secularization causes religious FDMs to strongly reflect religious sources in terms of operational and financial measures in the secular context of the DACH region.

Further, our findings contribute to the existing literature on religion in FFs, which has predominantly focused on developing or emerging countries (Fathallah *et al.*, 2020; Çetin, 2021), by highlighting the ongoing relevance of religion in developed countries. Despite the postulated decline of religion in the business context in the DACH region (Berger, 1977, 2012), religion continues to hold substantial importance, particularly during financial crises and shapes FFs' crisis management. However, in developed countries, religion is consciously integrated, and operational and financial measures are based on both religious and secular reasons toward stakeholders. Further, religious FDMs often translate their religious reasons into secular reasons, thereby demonstrating discursive capacity (Habermas, 2006, 2010). Since religious reasons are often disregarded in the increasingly secular DACH region, external stakeholders not involved in the decision-making process may perceive crisis management measures as lacking transparency. This leads to the following proposition:

- P4.* In spite of the increasing secularization in the DACH region, there are situations in the crisis management of the FFs in which religion continues to have a strong influence.

The existing literature on crisis management in FFs shows ambivalence and emphasizes the impact of FDMs' characteristics. Our findings shed light on this heterogeneity and suggest that FDMs' religious and secular reasons play a crucial role in shaping crisis management. Both may help to explain the mixed evidence presented in the literature (Cater and Schwab, 2008; Calabrò *et al.*, 2021). Moreover, the disruptive nature of financial crises for FDMs (Cater and Schwab, 2008; Kraus *et al.*, 2020) tends to amplify the influence of religion, which particularly demonstrates its relevance as a guiding principle for operational and financial measures. Thus, the ambivalence in prior literature regarding financial measures (Lins *et al.*, 2013; Macciocchi and Tiscini, 2016) may be partially explained by religious FDMs, who demonstrate a distinct attitude towards creditors and debt. Hence, they tend to finance crisis management from the firm instead of involving third parties. While bankruptcy is a legally possible and therefore legitimate crisis management measure for secular FDMs, religious FDMs resort to it only as an ultimate measure. Therefore, in light of increasing academic interest in financial crises (De Massis and Rondi, 2020; Crespo *et al.*, 2023), we propose to include religion in future research on FF' crisis management by elaborating the following propositions:

- P5.* Religious FDMs are ultimately responsible to the firm as well as to God, and therefore strengthen their own personal resources (e.g. new family members join the management team) and financial resources (e.g. new financing by family) in crisis management.

6. Practical implications

This study highlights the importance of religion in FFs' crisis management and provides four practical implications. First, we provide guidance for FDMs seeking to align religious or secular reasons with crisis management. By recognizing and intentionally considering religious and secular reasons of FDMs, FFs may better adapt their crisis management to different contexts and thus enhance operational and financial measures. Greater transparency regarding religion may contribute to crisis management, as religious reasons are perceived positively in the secular DACH region. Second, a reflexive approach to religious sources may help practitioners working with FFs to understand better the heterogeneity of FFs' operational and financial measures. This can be particularly helpful for stakeholders who are affected by measures that deviate from business logic and rather follow religious reasoning. Third, religious FDMs operating in developed countries can gain insights into how religious and secular sources enter into dialogue in a secular business context. The ability to translate religious reasons into secular reasons may foster holistic decision-making. Fourth, in today's globalized world where FFs often operate internationally with diverse stakeholders, an understanding of the religious and secular reasons influencing FDMs can contribute to more effective management of FFs.

7. Limitations and further research

This study has limitations and opportunities for further research. First, given the explorative nature of our research, our findings should not be generalized to the FFs landscape, but facilitate understanding of the dynamics of FFs and foster further research on religion in FFs' crisis management. Second, interviews, while validated and supplemented with data, rely on self-reported data and thus may be biased or incomplete, providing a limited understanding of religious and secular dynamics in FFs. Future research could include interviews with multiple FDMs per firm or with non-family managers using a case study design. Third, although we collected extensive data, the sample size is limited to 14 firms, which may affect the generalizability of our findings. Sampling and willingness to participate could introduce bias. Given the national in our sample, our findings may be representative for the DACH region, but may be not representative for certain countries of the DACH region. Future studies could expand the sample or include small and medium-sized FFs for broader insights. Fourth, our exploratory research design provides original insights into this under-researched topic. However, despite following the recommendations by [Miles et al. \(2019\)](#) for data analysis and in particular a multi-coder approach, a certain degree of subjectivity in data analysis cannot be excluded. Quantitative-empirical research is needed to confirm our findings.

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