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RELATIONS OR RELATIVES? THE EFFECT OF POLITICAL CONNECTIONS AND FAMILY TIES IN THE ENTREPRENEURIAL RECOVERY OF FAMILY FIRMS FROM A NATURAL DISASTER (SUMMARY)

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≈ SUMMARY ≈

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RECOVERY OF FAMILY FIRMS FROM A NATURAL DISASTER**

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Principal Topic

In this study, we investigate the differential power of political capital and family social capital in determining family firms' performance implications of a natural disaster. Political and social capital coexist in environments characterized by the presence of closely-held firms. However, they have been considered separately in explaining how firms leverage relations to improve their performance. Thus, we still don't know if, and under what conditions, political and family social capital differently affect performance, especially in the aftermath of exogenous shocks.

Method

Our sample includes 180 Italian firms, part of which experienced a catastrophic earthquake in 2009. First, we identified all 89 firms larger than 3 Millions € in sales (excluding firms in the banking and finance industries) located in the geographical area subject to the event. Second, we identified a matched sample of 91 firms from an area, in the same country, that was not hit by any natural disaster over the same focal period. Finally, we collected ownership, leadership, governance and other company and financial data from public sources for the four years prior and after the event (2005-2012).

Results and Implications

Family firms performed better after the earthquake, due to a mix of support from political and family resources. The positive impact of political connections seemed to prevail on family social capital when firms were highly dependent on the public sector. However, family connections mattered more than political ones to firms that were less tied to the public sector. Our study sheds light on a number of phenomena. First, we contribute to the literature on the resilience of family firms, their capability to respond to perturbations in their environments, and to quickly recover from their negative effects. Second, our data improve knowledge on the determinants of recovery of entrepreneurial activities in the aftermath of a natural disaster or exogenous shock, such as economic or socio-political crises. Finally, our study expands our understanding of the effects of political and family social capital and their differential impact on different entrepreneurial outcomes.

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