

Can family businesses turn their unique challenges into a source of strategic advantage?

Turning complexity into strength: How family firms master adaptive strategy

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Family enterprises are everywhere: they account for more than 80% of businesses worldwide, provide over half of global GDP, and employ around 60% of the workforce. Their scale makes them central to economic stability and innovation. Yet, while family firms share some traits—such as long-term orientation and a desire to balance financial and non-financial goals—they are far from homogeneous.

Every family enterprise is shaped by its ownership structures, governance maturity, generational dynamics, and the unique values of the family behind it. These factors influence not only strategy design but, crucially, how strategy is implemented. In today's volatile environment, **the way strategy is put into action often matters more than the strategy itself.**

Traditional strategy once followed a straightforward formula: set ambitious goals, define a roadmap, and execute step by step. But as business strategist Henry Mintzberg famously argued, real life is rarely so orderly. Markets change, industries are disrupted, and unexpected events derail even the best-laid plans.

For family businesses, strategy implementation is even more complex because it must reconcile **two systems simultaneously**: the business system and the family system. While this duality can create friction, it also provides opportunities for resilience. The research featured here asks: *How do family firms implement strategy differently? And what lessons can be drawn for businesses navigating uncertainty today?*

WHAT WE STUDIED

The study builds on classic and contemporary strategic management theory—from Chandler and Ansoff's structural approaches to Roger Martin's and Dave Snowden's complexity perspectives. It then applies these ideas to family enterprises through case analysis and practical examples.

The authors argue that strategy implementation in family firms varies along five dimensions of heterogeneity:

1. **Ownership structure** – concentrated vs. dispersed shareholders.
2. **Generational involvement** – first-generation founders vs. multi-generational owners.
3. **Family dynamics** – cohesive vs. conflict-prone families.
4. **Governance maturity** – informal vs. formalized systems (councils, constitutions, protocols).
5. **Balance of goals** – financial vs. non-financial objectives.

By comparing family firms across these dimensions, the study reveals how some businesses transform complexity into a competitive edge, while others become paralyzed by it.

KEY INSIGHTS

Static vs. Adaptive Strategy

- **Static planning:** Useful when outcomes are clear and environments are stable. For instance, a product launch with predefined KPIs can be managed with static strategy.

- **Adaptive strategy:** Needed in uncertain, fast-changing contexts. Instead of aiming at fixed endpoints, adaptive strategies prioritize *direction and responsiveness*. Implementation is iterative—marked by experimentation, learning, and recalibration.

Family firms are often better positioned for adaptive strategy because of their:

- Long-term orientation (“patient capital”).
- Deep-rooted family values that act as a guiding “North Star.”
- Ability to blend financial and non-financial goals.

Family Firm Strengths

1. Cohesion and Legacy

Shared identity and values can speed decision-making and unify strategic direction.

- *Example: Haniel Group* shifted from coal to sustainable investments under the “enkelfähig” (“grandchild-worthy”) strategy, guided by a vision of leaving a positive legacy for future generations.

2. Patient Capital

Family firms often invest with a generational horizon.

- *Example: Ferrero* launched Nutella Plant-Based in 2024, responding to consumer demand for sustainability while honoring its heritage. Such innovation is possible because of long-term orientation rather than quarterly pressures.

3. Trust and Culture

Trust among family members and employees reduces the need for rigid control, enabling quicker responses.

- *Example: Oetker Group* adapted quickly during the COVID-19 pandemic by empowering decentralized teams to respond to demand shifts.

Challenges and Pitfalls

1. Family Conflict and Resistance

Differences across generations or branches can stall change.

- *Example: Hermès* successfully resisted a hostile takeover by LVMH in 2010, but only by overcoming internal disagreements to unite family shareholders.

2. Balancing Profit and Purpose

Pursuing both financial and non-financial objectives can blur priorities.

- *Example: Haniel* divested profitable but unsustainable assets, navigating tough trade-offs between legacy goals and financial performance.

3. Governance Gaps

As ownership grows more dispersed, alignment becomes harder. Without robust governance, strategy risks being undermined by fragmentation.

TAKEAWAYS FOR FAMILY BUSINESS LEADERS

Build Agility Through Trust

Create governance structures and values-driven cultures that allow for quick, decentralized decisions.

Use Family as a Sensor Network

Engage multiple generations to capture early signals of change. Younger members bring exposure to global trends; older members provide context and stability.

Focus on Direction, Not Endpoints

Keep strategies flexible by emphasizing orientation—“where we are heading”—rather than fixed goals.

Harness Resilience Narratives

Stories of past endurance (wars, crises, transitions) strengthen collective identity and confidence in navigating current challenges.

Treat Slack as Strength

Maintain buffers—extra capacity, patient employees, financial reserves—that allow flexibility in turbulent times. What outsiders call inefficiency can be a resilience advantage.

Invest in Governance

Formal mechanisms like councils and shareholder agreements provide transparency and alignment in large, multi-branch families.

IMPACT

The research challenges the notion that family complexity is a liability. Instead, **family firms can turn complexity into a strategic resource** when paired with adaptive practices. This perspective matters not only for family enterprises but also for policymakers and advisors who often view family dynamics as obstacles.

In reality, when managed well, family dynamics—legacy, long-term orientation, cohesion—are the very features that enable **resilience in uncertain environments**.

RECOMMENDATIONS

1. **Embrace adaptive strategy** when environments are uncertain; use static planning only when goals are clear and stable.

2. **Foster an agile culture** by decentralizing authority and building trust.
3. **Leverage intergenerational diversity** to sense opportunities and risks earlier.
4. **Balance values and profits** transparently through governance.
5. **Preserve slack** to stay flexible during crises.
6. **Invest in narratives and history** to strengthen shared orientation across generations.

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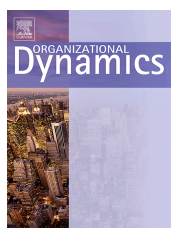
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