Spotlight
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How do family firms balance long-term sustainability goals with short-term crises?

When crises and climate collide. How European family firms manage environmental and economic challenges

SOPHIA JUNGK · MATTHIAS WALDKIRCH

Published on November 30, 2023 *https://doi.org/10.68623/spotlight.2024.7n6*

In the face of the global climate crisis, family firms are increasingly being called upon to adopt sustainable practices. However, short-term crises, such as the COVID-19 pandemic and the war in Ukraine, complicate these efforts. This article explores how European manufacturing family firms experience and navigate the tension between addressing long-term environmental challenges and managing immediate survival pressures. Using insights from 41 interviews with family business owners and industry experts, the study sheds light on how long-term orientation (LTO) both helps and hinders family firms in their sustainability journey.

WHAT WE STUDIED

This research focuses on European manufacturing family firms, specifically how they balance the grand environmental challenge of climate change with short-term crises. The study analyzed 41 interviews conducted with family business owners, industry experts, and key employees across nine companies. By applying an abductive research approach, the study identifies three key tensions that family firms experience in managing both short- and long-term objectives, alongside strategies for mitigating these pressures.

KEY INSIGHTS

1. Paralyzing Unpredictability

Family firms, which are typically oriented towards long-term goals, often struggle with the unpredictability of short-term crises. This unpredictability, especially during events like the war in Ukraine and energy crises, hampers their ability to plan for and commit to long-term sustainability initiatives. The constant flux in external environments leads to "paralyzing unpredictability," making it difficult for businesses to invest in green transformations.

2. Oscillating Opportunity and Threat

Many family firms view environmental sustainability as both a threat and an opportunity. While sustainable practices can enhance their long-term competitiveness, the immediate cost and lack of available resources (like renewable energy) often present significant hurdles. This duality causes firms to oscillate between seeing sustainability as a risk or a growth opportunity, depending on the current crisis climate.

3. Internal Coordination Dilemma

Family firms face an internal coordination dilemma when trying to balance short-term economic survival with long-term environmental goals. Often, they must decide whether to invest in green initiatives or focus on ensuring business continuity during crises. This leads to tensions within management as they struggle to align internal resources towards both economic and environmental objectives.

TAKEAWAYS

1. For Family Businesses:

Family firms should recognize the inherent tension between short-term survival and long-term sustainability. Adopting a balanced approach, such as phased sustainability investments, can help mitigate the risks posed by crises while maintaining a focus on long-term goals.

2. For Industry Experts and Policymakers:

Providing targeted support and incentives for family firms to invest in green technologies can help them overcome the financial and operational hurdles posed by short-term crises. Policymakers should consider how crises like energy shortages affect family businesses' ability to commit to sustainability goals.

3. For Entrepreneurs:

Entrepreneurs in family businesses should foster a broader decision-making process that involves both family and non-family members. This can help bring diverse perspectives to the table, reducing the impact of unpredictability and helping firms to better navigate through crises.

IMPACT

This study highlights the critical role of long-term orientation (LTO) in family firms, showing both its benefits and drawbacks in the context of environmental challenges and crises. While LTO drives family firms to think about sustainability, the unpredictability of crises often makes long-term planning difficult. Family firms must therefore develop strategies that allow them to remain flexible and resilient in times of uncertainty, without losing sight of their long-term goals.

RECOMMENDATIONS

Family firms should integrate broader, value-driven management processes that allow for more inclusive decision-making, particularly during crises. Additionally, non-family managers can play a key role in helping family businesses stay on course with their sustainability goals while managing short-term disruptions.

Spotlight by CeFEO, How do family firms balance long-term sustainability goals with short-term crises? When crises and climate collide. How European family firms manage environmental and economic challenges. Downloaded on 15 November 2026 from https://doi.org/10.68623/spotlight.2024.7n6

CEFEO AUTHORS



Matthias Waldkirch

Affiliated Researcher

EBS University

matthias.waldkirch@ju.se

PUBLISHED IN



Jungk, S., & Waldkirch, M. (2024). When crises meet grand environmental challenges: Navigating intertemporal tensions in European manufacturing family firms. Entrepreneurship & Regional Development, 36(3-4), 535-559.

https://doi.org/10.1080/08985626.2023.2275065

Spotlight is an online magazine that translates research from the Centre for Family Entrepreneurship and Ownership (CeFEO) at Jönköping International Business School, Jönköping University, into accessible insights for family business owners, practitioners, and policymakers.

Spotlight is supported by the WIFU Foundation. This partnership advances dialogue and education in responsible family entrepreneurship and ownership.

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