Spotlight
by CeFEO

# How should family business owners manage cash, overhead, and debt for better performance?

*Cash, overhead, and unused debt drive family-firm performance in very different ways.*

TOMMASO MINOLA · PHILIPP SIEGER · MASSIMO BAÙ · GIOVANNA CAMPOPIANO · ALFREDO DE MASSIS · FRANCESCO CHIRICO

*Published on April 1, 2026*

*https://doi.org/10.68623/spotlight.2026.2z6*

Most family business owners face the same three questions every year. How much cash should we keep on hand? How tightly should we run overhead? Should we borrow to expand?

Conventional advice treats these as separate financial decisions. A new study in *Family Business Review* suggests they are deeply linked — and that family ownership itself changes the right answer.

The authors examined more than 66,000 firm-year observations from Italian manufacturing SMEs between 2010 and 2016. They compared family-owned firms with non-family ones, matched on age, size, capital intensity, industry, and region. They then asked a sharper question inside the family-firm sample: does it matter whether the CEO is also part of the family?

## WHAT SLACK RESOURCES ACTUALLY MEANS

The researchers split financial reserves into three types that behave very differently in practice.

**Cash on hand** *(i.e., unabsorbed slack)* — current assets relative to current liabilities. Easy to deploy, easy to redirect.

**Overhead capacity***(i.e., absorbed slack)* — selling, general and administrative expenses relative to sales. Embedded in the firm's structure and hard to redeploy quickly.

**Borrowing capacity***(i.e., potential slack)* — room to take on more debt. Available only through external negotiation, with creditors watching closely.

These three forms of slack are usually lumped together in financial advice. The study shows that conflating them obscures most of what matters.

## WHAT THEY FOUND

**Cash works better in family firms.** Conventional theory predicts that family owners will divert cash to family priorities — dividends, perks, jobs for relatives — rather than reinvesting it. The data show the opposite. In family-owned SMEs, a one-standard-deviation increase in cash reserves lifts ROA by an extra 0.71 percentage points compared with non-family firms. The likely reason is social. In a small private family firm, cash sits at the intersection of household and corporate accounts. Spouses, siblings, and parents all have visibility into it, and that scrutiny appears to discipline how it gets used.

**Overhead works worse in family firms.** The picture flips for overhead-tied resources. A one-standard-deviation increase in overhead capacity generates a ROA 0.81 points lower than the comparable effect in non-family firms. Overhead is harder to cut and harder to redirect. Family firms appear less willing to restructure embedded costs, more prone to channel them toward reputation and status concerns, and more reluctant to retrench when needed.

**Borrowing capacity: no clear family difference at the ownership level.** On borrowing capacity, family ownership alone does not make a clear difference — family and non-family firms look broadly similar. The real story emerges only when you ask who is running the firm.

## WHY THE CEO QUESTION CHANGES EVERYTHING

Inside the family-firm sample, the researchers compared firms led by family CEOs with those led by hired outsiders. Three patterns emerged.

**Family CEOs handle cash better.** A one-standard-deviation increase in cash reserves pushes ROA 1.17 points above the family-firm average. Where a hired CEO must negotiate with family principals about how to deploy cash, a family CEO already is the family principal. The decision loop is faster, and the alignment is built in.

**Family CEOs handle overhead much better.** The magnitude here is striking: a one-standard-deviation increase in overhead capacity generates a ROA 1.84 points above the family-firm average. Family CEOs appear to use their discretion over fixed-cost resources to make longer-term investments — including in R&D — that fit the patient horizon family ownership allows.

**Family CEOs handle borrowing worse.** Debt capacity is most valuable when used for experimentation and new opportunities. Family CEOs are often drawn from a small pool of relatives, which can narrow managerial breadth. They may also be more entrenched and reluctant to take the risks externally-funded expansion requires.

## WHAT THIS MEANS FOR FAMILY BUSINESS OWNERS

The headline is simple: do not treat cash, overhead, and debt as if they were the same kind of resource. Each behaves differently, and family ownership changes the conversion rate.

If you own a family SME, your cash reserves may be a stronger competitive asset than they would be in a non-family firm. Resist using them as a buffer for family distributions when growth options exist. The social scrutiny inside the family is part of what makes the cash productive — protect it, do not bypass it.

Overhead is the area where family ownership most clearly drags performance. Audit it honestly. The reluctance to restructure, the tendency to keep capacity for reputation reasons, the difficulty of retrenching when needed — these are the costs the study identifies. Discipline here matters more than for non-family peers.

On debt, the picture depends on who is running the firm. If you are considering external financing for an expansion or experiment, ask whether your leadership team has the bandwidth and breadth to execute. The study suggests family CEOs convert debt capacity into performance less effectively than hired CEOs — possibly the strongest argument for bringing in outside leadership when a debt-fuelled growth move is on the table.

And on the CEO choice itself: this is not a neutral decision. A family CEO appears to manage cash and overhead more productively in this sample. A non-family CEO appears better placed to handle debt-financed growth. The two profiles fit different strategies. Choose accordingly.

## RECOMMENDATIONS

1. Track cash, overhead, and debt capacity separately. Total "reserves" is the wrong unit of analysis.
2. Treat cash as a strategic asset, not a slush fund for family distributions or perks. The social scrutiny inside the family is part of what makes it productive.
3. Audit overhead honestly. The reluctance to restructure is the most consistent performance drag in family SMEs.
4. If you are weighing debt-financed expansion, consider whether family or non-family leadership is best placed to execute it.
5. When appointing a non-family CEO, build clear governance around how cash is allocated — this is where the alignment costs are highest.
6. Match the leader to the strategy: a family CEO for steady cash-and-overhead discipline; a non-family CEO for debt-fuelled experimentation.

Spotlight by CeFEO, How should family business owners manage cash, overhead, and debt for better performance? Cash, overhead, and unused debt drive family-firm performance in very different ways. Downloaded on 12 November 2026 from https://doi.org/10.68623/spotlight.2026.2z6

## CEFEO AUTHORS




**Massimo Baù**

*Professor*

*Jönköping International Business School*

massimo.bau@ju.se



**Francesco Chirico**

*Professor*

*Jönköping International Business School*

francesco.chirico@ju.se


## PUBLISHED IN





Minola, T., Sieger, P., Baù, M., Campopiano, G., De Massis, A., & Chirico, F. (2026). When does financial slack matter? Family ownership, CEO family status, and SME performance. Family Business Review, 39(2), 149–172.

https://doi.org/10.1177/08944865261420231


*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.

JÖNKÖPING UNIVERSITY
Jönköping International Business School

CeFEO
Centre for Family Entrepreneurship and Ownership

WIFU FOUNDATION