

How do family leaders communicate during tough times?

The role of strategic leadership in family business disclosure during crisis

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In times of crisis, family businesses often find themselves at the intersection of survival and maintaining reputation. Unlike publicly listed firms, family-owned companies may have more at stake beyond financials—reputation, legacy, and long-term relationships are deeply intertwined with their decision-making. This article examines how a financially distressed family-owned media group handled its disclosure strategy during a period of financial distress. Understanding the dynamics of disclosure in this context can provide valuable lessons for family businesses navigating similar situations today.

WHAT WE STUDIED

The study focuses on a large, private Swedish family-owned media group during a financial crisis from 2008 to 2014. By leveraging attribution theory, the researchers investigated how the company's strategic apex—comprising the top management team, board members, and primary family owners—shaped the disclosure strategy. Data were drawn from interviews with key decision-makers and archival records such as media articles and internal company documents. This unique access allowed the research team to delve into how voluntary disclosure strategies were formed to manage relationships with powerful stakeholders like banks and employees.

KEY INSIGHTS

1. Voluntary Disclosures to Control the Narrative

The study reveals that the company's disclosure strategy during the crisis wasn't just about providing information—it was about shaping perceptions. Financially strong stakeholders, like banks, received

detailed and carefully managed information, while weaker stakeholders, such as employees, were informed through more indirect channels, including whistleblowers. The timing and content of the disclosures were meticulously controlled by the strategic apex to influence public opinion and stakeholder reactions, emphasizing optimism and a path forward despite the severity of the financial situation.

2. The Role of Family Ownership in Disclosure

Compared to non-family firms, family businesses place a higher emphasis on reputational management. In this case, the family owners, particularly the main family owner, played a crucial role in leading communication efforts. The family's long-term ties to the business community and its visible presence helped retain trust, even when difficult information had to be shared. For example, the family leader publicly admitted past mistakes but coupled these admissions with strong forward-looking statements, emphasizing their commitment to restoring the business.

3. Strategic Use of Internal Communication

Within the organization, the strategic apex used internal communications to maintain control over what was shared publicly. Mid-level managers were given precise instructions on how to communicate with their teams, ensuring that the internal narrative aligned with external disclosures. Employees played an unintentional but important role in the broader disclosure strategy by leaking information to the press, which the apex used to their advantage in shaping media coverage.

TAKEAWAYS

1. *Prioritize Key Stakeholders*

In a crisis, family businesses should identify and prioritize their key stakeholders, focusing on those whose reactions could significantly impact the company's survival. Strategic disclosures can help mitigate concerns, especially when tailored to specific stakeholder groups.

2. *Use Reputation as a Strategic Tool*

Family businesses have the advantage of a strong legacy and long-term reputation. This can be leveraged during times of crisis to maintain trust, even when financial difficulties arise. Publicly admitting mistakes but reinforcing a commitment to the future can help retain stakeholder confidence.

3. *Control the Disclosure Process*

The timing and content of disclosures are essential. By controlling when and how information is shared, businesses can manage stakeholder expectations and avoid panic. Internal communications should also be strategically aligned with external messages to ensure consistency across all fronts.

IMPACT

The study provides important insights into how family businesses can use voluntary disclosures as a strategic

tool during a crisis. As family firms face increasing scrutiny, particularly in sectors that are publicly accountable, understanding how to manage disclosure strategies is crucial. The case also points to a broader trend of family firms needing to balance transparency with the need to maintain control over sensitive information. More research could further explore how these dynamics play out in different industries and cultural contexts.

RECOMMENDATIONS

1. **Engage in Open, Controlled Communication**

Early: Start crisis communication early and control the narrative to mitigate negative stakeholder reactions.

2. Leverage Family Legacy: Utilize the family's role and reputation to maintain stakeholder trust during difficult times.

3. Tailor Messages to Stakeholders: Different stakeholders have different information needs; tailoring communication ensures relevance and maintains trust.

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