Spotlight
by CeFEO

What makes family businesses uniquely capable of thriving in uncertain times?

Building capabilities for the future: How family firms can turn tradition into advantage

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Family businesses are the backbone of economies worldwide, yet they face unique pressures: generational transitions, digital disruption, sustainability demands, and crises like pandemics or climate change. What helps some family firms endure and even thrive while others struggle?

A growing body of research points to **capabilities** — the firm's ability to use its resources effectively. Ordinary capabilities (OCs) keep daily operations running smoothly, while dynamic capabilities (DCs) allow firms to adapt, innovate, and reinvent themselves.

A new systematic literature review by Gjergji, Brunelli, and Sciascia (2025) brings together over 20 years of studies on family business capabilities. The results are highly relevant for business owners: they show how family influence drives the creation of capabilities and how these, in turn, shape performance outcomes. Most importantly, the study provides guidance on how family firms can leverage their unique qualities to build resilience and long-term success.

WHAT WE STUDIED

The authors reviewed **76 peer-reviewed articles** published between 2000 and 2024, covering different regions, methods, and theoretical approaches. The analysis focused on two key research questions:

1. **What drives the development of capabilities in family firms?**
2. **What outcomes do these capabilities produce?**

To answer these, the review examined both **ordinary capabilities** (operations, governance, marketing, R&D, IT, HR) and **dynamic capabilities** (adaptive, absorptive, and innovative).

A conceptual framework (see *Figure 3 in the article*) was developed to map the links between:

- **Drivers** (family influence and other contextual, business, family, or individual factors)
- **Capabilities** (ordinary and dynamic)
- **Outcomes** (financial, competitive, and non-financial, such as sustainability or transgenerational continuity)

KEY INSIGHTS

1. Ordinary Capabilities: Keeping the Engine Running

Ordinary capabilities allow firms to perform essential functions effectively. In family businesses, they include:

- **Operations and logistics** – ensuring reliable production and delivery
- **Governance and strategy** – setting clear rules and directions
- **Marketing** – maintaining strong customer relationships
- **Finance and administration** – keeping control of resources
- **R&D and innovation** – developing new products and processes
- **IT and HR** – managing systems and people

What the research shows:

- **Family involvement** in ownership and management often strengthens these capabilities by fostering commitment, efficiency, and long-term orientation.

- But involvement can also **hold firms back** — for example, top managers in family firms sometimes resist investing in digitalization or underestimate market risks.
- **Generational change** can be tricky: while new generations may bring innovation, they may also create conflicts that weaken capability development.
- **Context matters**: location, industry type, and community support play an important role in shaping ordinary capabilities.

2. Dynamic Capabilities: Staying Adaptable

Dynamic capabilities are higher-order skills that allow firms to adapt and reinvent themselves. They include:

- **Adaptive capabilities** – adjusting to crises, market changes, and new technologies
- **Absorptive capacity** – learning from outside partners and knowledge sources
- **Innovative capabilities** – developing novel products, processes, and business models

What the research shows:

- Family firms often excel at building long-term relationships, networks, and trust, which strengthen dynamic capabilities.
- **Family values, stewardship, and commitment** act as powerful drivers of adaptability and innovation.
- However, excessive paternalism or overconfidence can create inertia, slowing down change.
- Dynamic capabilities are strongly linked to **resilience** — the ability to bounce back from crises — and to **sustainability outcomes**, such as environmental performance and CSR.

3. Capabilities Drive Multiple Types of Performance

The review highlights that capabilities influence **three dimensions of performance**:

1. **Financial performance** – better R&D, marketing, and IT capabilities improve profitability and growth.
2. **Competitive performance** – capabilities enable international expansion, digital transformation, and business model innovation.
3. **Non-financial performance** – capabilities also enhance customer satisfaction, employee commitment, sustainability, and transgenerational continuity.

In other words, family firms that invest in building both ordinary and dynamic capabilities can achieve not only financial returns but also the **legacy goals** that matter deeply to families.

TAKEAWAYS FOR FAMILY BUSINESS LEADERS

Invest in Both Routine and Renewal

- **Ordinary capabilities** keep your business efficient today.
- **Dynamic capabilities** prepare your business for tomorrow.
- Balance both: don't let operational excellence turn into rigidity, and don't let innovation overshadow daily discipline.

Harness Family Influence Wisely

- Use family commitment, trust, and shared identity as **fuel** for building strong capabilities.
- Be aware of the **downsides**: too much control at the top can block new knowledge and innovation.
- Involve multiple generations, but set clear rules to avoid conflict.

Build Knowledge Bridges

- Encourage **storytelling and values transmission** across generations to preserve what works.
- At the same time, create mechanisms to **absorb external knowledge** — through partnerships, advisors, or digital tools.

Link Capabilities to ESG and Sustainability

- Customers, employees, and policymakers increasingly demand responsible business practices.
- Use your family firm's long-term orientation to build capabilities in **green innovation, digital transformation, and stakeholder engagement**.
- These not only improve reputation but also secure the firm's future.

IMPACT

This systematic review shows that capabilities are the **engine of family business resilience and competitiveness**. Unlike non-family firms, family businesses develop capabilities within a unique context of values, emotions, and long-term goals.

The implications are clear:

- **For family firms**: Developing capabilities is not just about efficiency or profit; it's about survival, renewal, and legacy.
- **For advisors and policymakers**: Supporting capability development in family firms (e.g., through training, succession planning, or digitalization programs) has strong economic and social benefits.

Future challenges such as digitalization, climate change, and shifting generational expectations will only increase the need for **capability-building strategies** tailored to family firms.

RECOMMENDATIONS

1. **Audit your capabilities**: Map your firm's ordinary and dynamic capabilities. Identify strengths and gaps.
2. **Strengthen governance**: Clear structures help balance family influence and professional management.
3. **Invest in digital and green capabilities**: These are becoming essential for competitiveness and legitimacy.
4. **Promote intergenerational learning**: Create platforms for younger and older generations to share knowledge and collaborate.
5. **Embrace external perspectives**: Bring in non-family managers, advisors, or partners to complement family expertise.

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