

# **Wait or pivot? Family and non-family firms' strategic responses to COVID-19 and employment change**

## **ABSTRACT**

The aim of this paper is to investigate the effects of different strategic behaviors adopted during COVID-19 pandemic on employment change (a percentage change in the number of employees) in both family and non-family firms. We use an international survey-based dataset of 2,192 family and non-family firms. We provide evidence that a pivoting strategy (transforming the business) could prevent layoffs. Finally, while transparent leadership communication positively moderates the effect of pivoting on employment change in non-family firms it shows an opposite effect in family firms.

## **Keywords**

COVID-19, employment change, family firms, pivoting strategy, transparent leadership communication.

## **1. Introduction**

Facing the sudden outbreak of the COVID-19 pandemic has exposed firms of all types to significant challenges. Especially during the first wave of the COVID-19 pandemic, firms have often been forced to take strategic decisions under uncertainty to preserve their long-term survivability (e.g., Kraus et al., 2020; Kuckertz et al., 2020; Issah et al., 2023). Firms have reacted to the challenges raised by COVID-19 with varying strategic responses which sometimes reinforced their competitive positions (Farjoun & Fiss, 2022). Mechanisms such as sales force management (Hartmann & Lussier, 2020; Pantano et al., 2020), utilizing online communities (Meurer et al., 2021), interorganizational collaboration (Crick & Crick, 2020), creating resilience through better information technology (Sakurai & Chughtai, 2020), servitization strategies (Crowley et al., 2018), or business model innovation (e.g., Clauss et al., 2021) have been suggested as useful approaches to actively react to a crisis situation. Beside these rather specific approaches, early research has also noted that firms may address crisis situations either through strategies that are aimed at maintaining the status quo and weathering the crisis or through managing the course of action through proactive pivoting (Kirtley & O'Mahony, 2020; Wenzel et al., 2020; Farjoun & Fiss, 2022). A proactive pivoting strategy can be defined as an approach to crisis management “that reorients the firm’s strategic direction through a reallocation or restructuring of activities, resources, and attention” (Kirtley & O'Mahony, 2023). This change may focus on new products, services, technologies, markets or even on the transformation of the business model as a reaction to changing market conditions.

Whereas previous studies have substantially informed our knowledge on crisis management of firms from an economic perspective, we lack knowledge on the effect of an active crisis management on social dimensions such as employment (Carnevale & Hatak, 2020; He & Harris, 2020). Despite the availability of research on the actions firms take to protect workers (Steinbach

et al., 2021) the focus has mainly been on the outside effects of these measures (i.e., stakeholder sentiments) (Carracedo et al., 2021; Ali et al., 2022). Lastauskas (2021) suggests that particularly real estate and service sector firms and those firms with severe financial frictions reduced employment during COVID-19 (Shankar, 2020). However, the effect of a proactive crisis management through pivoting on employment has not yet been investigated. Given the significant challenges individuals were facing during the pandemic caused by homeschooling, psychological pressures, health threats, etc. (Wanberg et al., 2020; Lin et al., 2021), ensuring job stability and thus preventing job uncertainty becomes an important responsibility for firms. Therefore, investigating the link between a proactive pivoting strategy for crisis management and employment change can be considered a relevant research gap (see Amato et al., 2021 for more on the need to further investigate employment outcomes in family firms).

To bridge this gap, we examine two contextual factors: one at the firm level and the other at the leadership level. At the firm level, we delve deeper into the moderating role of family businesses in comparison to non-family firms regarding the relationship between crisis management strategies and employment change. Family firms are “organizations in which families exercise substantial influence on the firm’s affairs” (Gomez-Mejia et al., 2011, p. 660) through ownership, often in conjunction with an active role in the management of the firm. We do so as family firms are sensitive to societal demands and they exhibit higher levels of corporate social and community citizenship behaviors than non-family firms (McGuire et al., 2012; Berrone et al., 2014). Family firms are known to show greater corporate social responsibility (Cruz et al., 2014; Marques et al., 2014) and typically consider the welfare of their employees to a greater degree than their non-family firm counterparts (Bammens et al., 2015; Neckebrouck et al., 2018). Research indeed shows that family firms in general are more cautious to lay off employees as a reaction to external shocks (Bjuggren, 2015) and crises (Rivo-López et al., 2020). Yet, it is unclear if these

pro-employee behaviors still persisted during COVID-19 (De Massis & Rondi, 2020) and how specific crisis management strategies may influence employment stability.

At a leadership level, we investigate how transparent leadership communication (i.e., the degree to which company leaders communicate their stances transparently to their employees (Wong et al., 2010) moderates the effect of crisis management strategies on employment change. Amid the heightened uncertainty brought on by the COVID-19 crisis, it becomes crucial for leadership to engage in transparent communication. This approach is essential to enhance employee engagement and commitment, and to mitigate turnover rates (Men, 2014; Yue et al., 2019). Another aspect of transparent leadership communication is keeping employees informed about the opportunities and risks associated with strategic decisions, a practice that serves to bolster their commitment (Yue et al., 2019). While transparent leadership communication is linked to enhanced employee motivation and commitment, its correlation with the effectiveness of various crisis management strategies remains unclear. We use a unique international survey-based dataset with information on 2,192 family and non-family firms collected during the first wave of COVID-19 (between February and September 2020) from the affiliated institutions of the STEP Project Global Consortium (SPGC). Thereby, we show that a proactive pivoting strategy could prevent layoffs. Moreover, while transparent leadership communication positively moderates the effect of pivoting on employment change in non-family firms, it shows an opposite effect in family firms.

Our study makes four important contributions. First, our findings enrich the leadership literature by demonstrating that the communication style adopted by leaders in both family and non-family firms during a crisis plays a significant role in influencing employee turnover. In view of this we bring to the fore, a new perspective about the effect of leadership style on firm level processes and outcomes (Fries et al., 2021; Rovelli et al., 2022). Second, we contribute to the crisis management literature by highlighting the social dimension of crisis management practices

(Carnevale & Hatak, 2020; De Massis & Rondi, 2020; Amore et al., 2022). Against initial intuitive wisdom the negative employment consequences of waiting as compared to the beneficial employment effects of a pivoting strategy clearly show that attempts to passively maintaining the status quo are not only economically insufficient but will ultimately lead to employment reduction. Third, we contribute to the discourse on social responsibility (Cruz et al., 2014; Combs et al., 2022) and employment protection in family firms (Block, 2010; Bjuggren, 2015). We substantiate previous findings suggesting employment reduction due to waiting may be smaller in family firms than non-family firms. However, non-family firms following a pivoting strategy will even grow the workforce more significantly. Whereas transparent leadership communication during the crisis will significantly strengthen the effect of pivoting on employment growth, family managers' interventions reduce this effect. Thus, although driven by good intentions, attempts to maintain the status quo by family managers may eventually worsen the situation for family firm employees in times of crisis. Finally, our findings on the strategic choices of family firms during COVID-19 and the effects on employment change add to the complex puzzle of studies which aims to understand family firms' behavioral patterns during an unprecedented external shock such as the pandemic outbreak (e.g. Kraus et al., 2020; Calabrò et al., 2022; Bertschi-Michel et al., 2023).

## **2. Theoretical framework and hypotheses development**

### *2.1. An overview of strategic responses to crisis*

Strategic responses to crises comprise intentional measures of firms to address the crises, deal with its consequences and prepare for the time after the crises (Ebersberger & Kuckertz, 2021; Atallah et al., 2022). Wenzel et al. (2020) identify four types of potential strategic responses to crisis namely retrenchment, exit, persevering, and innovating. Retrenchment describes cost cutting measures (Bruton et al., 2003) aimed at trimming the range of business of activities of a firm (Pearce & Robbins, 1994) and stabilize plummeting performance (Pearce II & Robbins, 1993).

Business exit, on the other hand is concerned with ceasing business operations as a strategic response to a crisis (Argyres et al., 2015; Wenzel et al., 2020). Both these measures are inherently interwoven with our variable of interest, which is employment change. Whereas retrenchment considers divestments and partial exits (Tangpong et al., 2015), the exit means discontinuing all business activities. Consequently, both measures will cause laying off employees as an integral part of the strategy. However, the employment effect of innovating and persevering is less clear. Thus, we focus on innovating and persevering (Wenzel et al., 2020) which we call proactive pivoting strategy (Kirtley & O'Mahony, 2020).

Proactive pivoting refers to “a change in a firm’s strategy that reorients the firm’s strategic direction through a reallocation or restructuring of activities, resources, and attention” (Kirtley & O'Mahony, 2020, p. 3). Pivoting or innovating as a strategic response refers to initiating measures aimed strategic renewal in response to crisis (Wenzel et al., 2020). This against the background that a crisis situation creates the window of opportunity that motivate firms to challenge their rigidities (Bryson, 1981) or organizational routines (Nelson & Winter, 1982; Becker, 2003) and push the limits of their decision criteria (Rosenbloom, 2000; Roy et al., 2018). Many firms use the increased uncertainty during COVID-19 as a launch pad to explore new opportunities, diversify, expand and experiment new approaches of conducting business (See Reymen et al., 2015). Recent findings show that COVID-19 pandemic enabled firms to utilize business model innovation (Breier et al., 2021; Clauss et al., 2021) as well as digital transformation (He et al., 2020; Wade & Shan, 2020) for surviving the pandemic and creating long-term resilience.

Prior research present mixed outcomes regarding the strategic responses of firms in crisis. For instance, crisis situations have been shown to be associated with the explorative search for new strategic initiatives to prevent business failure (Siggelkow & Rivkin, 2005; Nadkarni & Narayanan, 2007; Chakrabarti, 2015) especially in women lead businesses (Manolova et al., 2020). There is

ample evidence about swift pivoting initiatives undertaken by firms to avoid business failure during COVID-19 crisis (Crick & Crick, 2020; Kraus et al., 2020). Furthermore, recent studies have shown that family firms engage in strategic renewal initiatives as a response to COVID-19 (Calabrò et al., 2021; Issah et al., 2023) Regarding non-family firms, recent studies have shown that in times of volatility such as during crisis, firms that maintain the status quo by restricting the exploration of new initiatives tend to gain performance advantages (Posen & Levinthal, 2012; Stieglitz et al., 2016). However, the literature shows a general deceleration in R&D and innovation activities during crisis (Cincera et al., 2012).

## *2.2. Employment change during crisis in family firms and non-family firms*

In the face of industry shocks and in relation to how to behave with employees, family firms often fulfill implicit contracts that allow them to pay lower salaries in order to avoid job cuts (Sraer & Thesmar, 2007). Furthermore, even in crises and temporary shocks, family firms have been shown to be less likely to react by resorting to employment adjustment measures because they adhere to implicit employment protection (Bjuggren, 2015). Family firms are also associated with high job security (Stavrou et al., 2007; Bassanini et al., 2013; Ellul et al., 2018) and invest more in employee friendly policies as they tend to treat employees better (Blanco-Mazagatos et al., 2018; Kang & Kim, 2020). A result of the perception of organizational support due to the caring and employee centered policies and practices (Eisenberger et al., 2001), family firm employees often feel a sense of loyalty and the need to reciprocate the good practices of employers by supporting firm renewal or pivoting initiatives (Bammens et al., 2015; Issah et al., 2023) even in the most difficult times (Miller et al., 2008) such as during COVID-19. This can then translate into increased employee engagement and reduced turnover (Yue et al., 2019; Katou et al., 2021). In line with this, Amato and colleagues (2020) demonstrate the existence of a positive association between family

ownership and employment during crisis and that family firms tend to downsize less than their non-family firms.

Non-family firms on the other hand have been shown to experience significant job losses (Blustein et al., 2020; Kraus et al., 2020) owing to the challenges of proactive pivoting decisions that prioritize managerial personal interest, inadequate knowledge of the crisis and the general complexity of the COVID-19 crisis (Bouncken et al., 2022). Furthermore, job losses have been observed in non-family firms during crisis because these firms are more sensitive to temporary economic shocks or market contractions (e.g., Amato et al., 2020; Bjuggren, 2015) and are less likely to align non-economic and economic goals in their proactive choices, hence they do not offer implicit employment protection as practiced in family firms (Ellul et al., 2018). Non-family firms are also less likely to enjoy the same level of employee support for organizational changes and firm renewal activities during the COVID-19 crisis like family firms (Bammens et al, 2015). This may lead to low employee engagement and consequently high turnover rates.

### *2.3. Transparent leadership communication during crisis and employment change*

Crisis situations in firms are often characterized by strategic change initiatives, aimed at sustaining competitiveness (Johansson & Heide, 2008). Furthermore, due to the high level of uncertainty that is often associated with crisis (Kraus et al., 2020; Bouncken et al., 2022), there is the need for leadership to engage in transparent organizational communication to boost employ engagement and commitment and reduce the turnover rates (Men, 2014; Yue et al., 2019). This is in light of the notion that transparent communication is strategic resource needed by employees to manage protect themselves and manage job demands especially during crisis (Jiang & Men, 2017). Therefore, an organization's leadership engages in transparent communication when it releases all legally sanctioned information to employees irrespective of whether this information is negative or positive in nature (Men, 2014). Furthermore, transparent communication involves taking into

consideration the interest of the recipients of information rather than the sender by ensuring that information communicated timely, accurately and with clarity (Heide & Simonsson, 2014). Additionally, it also advocates that the actions and decisions that are being communicated are understood by all stakeholders such as employees (Men, 2014). Another dimension of transparent leadership involves informing stakeholders about both the positive and negative aspects of decisions. This ensures that leadership provides a balanced information and take responsibility for both the benefits and potential threats of strategic initiatives during periods of radical changes (Yue et al., 2019). Failure to do so may fuel rumours, misunderstanding, uncertainty, insecurity, disengagement and a general sense of distrust among employees (Men & Bowen, 2016).

Employing transparent communication during crisis has been shown to increase employee intrinsic work motivation and engagement (Meyer & Gagne, 2008; Wong et al., 2010) and subsequently lead to increased performance (Palanski & Yammarino, 2011) and reduced turnover rate (Attridge, 2009; Vogelgesang et al., 2013). Transparent communication by leadership especially during crisis is also associated with high leader behaviour integrity which has been shown to increase organizational commitment (Leroy et al., 2012) and organizational citizenship behaviours (Dineen et al., 2006) which can all impact the employee turnover. This is because leader behaviour integrity is an indication of inspiring, dedicated, ethical and caring leadership (Vogelgesang et al., 2013). These in turn, foster employees identification with organizational goals, facilitate employee attainment of these goals and lead to job satisfaction (Vogelgesang & Lester, 2009; Wong et al., 2010).

#### *2.4. Hypotheses development*

COVID-19 led to a fundamental change in the strategic orientation of many firms (McDonald & Gao, 2019; Gereffi, 2020) aimed at addressing the new challenges presented by the crises. For instance many businesses introduced significant changes to their business models (Kraus et al.,

2020) to minimize uncertainty and risks (Calabrò et al., 2021) while aiming at emerging opportunities that were created by the pandemic (Kraus et al., 2020; Manolova et al., 2020). To capture the new opportunities, many firms employed proactive strategies such as redeploying slack resources (Tyler & Caner, 2016; Issah, 2020) to the production of supplies that were regarded as necessities such as nose masks, personal protective equipment and other sanitary supplies (Gereffi, 2020; Manolova et al., 2020). Others acquired new capabilities or leveraged existing ones (De Massis et al., 2018). For example digital capabilities became a fundamental asset (Soluk et al., 2021 ) even in the education sector for remote teaching (Limniou et al., 2021). Proactive organizations had to reshape existing structures and business models sometimes through experimentation in order to remain competitive (McGrath, 2010). This includes experimenting the idea of remote working. By adopting remote work as a response to the pandemic, firms could maintain employment without any job cuts (Kramer & Kramer, 2020). In many domains especially in the health sector and related industries, proactive pivoting strategies included directly increasing the workforce or redeploying and increasing resources to specific firm units to cope with the sudden spike in demand for supplies that were needed for the pandemic (Williams et al., 2020). Furthermore, in some firms, proactive pivoting strategies such as repurposing and digitalizing manufacturing plants to produce medical supplies such as ventilators needed to treat the virus were adopted (González-Aleu et al., 2022; Pansare & Yadav, 2022). COVID-19 vaccine supply chains also emerged leading to the redeployment of resources into this emerging area (Bown & Bollyky, 2022). All these pivoting initiatives meant that firms had to increase capabilities by hiring more people needed to operationalize and sustain these initiatives, thus leading to a positive effect on employment growth.

Contrary to pivoting swiftly to reduce the negative consequences of an external shock, firms may decide to ‘wait and see’ until such a time when the effects of the shock is understood

before any appropriate measures can be taken (Sull, 2005). This often includes not changing any resource commitments in several aspects of the business (Clarke & Liesch, 2017). Contrary to pivoting swiftly, a waiting strategy has been shown to not be fit for purpose in highly unstable and volatile environments (Dattée et al., 2018) such as during a major global crises such as the COVID-19 pandemic (Kraus et al., 2020; Calabrò et al., 2021). This is because, firms waited until such a time when the effects of the shock was fully understood before any appropriate measures were taken (Sull, 2005). The abrupt decline in demand and the subsequent disruptions in global supply chains (Kano et al., 2020; Gereffi, 2020) altered the conditions of most industries and led to the loss of jobs in many sectors such as those in the hospitality sector (Calabrò et al., 2021; Breier et al., 2021). The loss of jobs was even exacerbated by the wait and see approach adopted by some firms, as these firms did not change or renew their business models soon enough to respond to the new uncertain and even risky business conditions that were presented by the crises (Issah et al., 2023). Therefore, the decision by firms to not quickly adapt their practices eroded their competitive advantages and led to failure and closure of firms (Stieglitz et al., 2016), thus increasing the job losses associated with COVID-19 crises. In view of these, we suggest that proactive firms that were able to move quickly and change their business models stood a better chance of preserving or even increasing employment. This is because the pursuit of non-financial goals with the aim of preserving socioemotional wealth during crisis may influence the forms of proactive pivoting strategies are implemented. Bau and colleagues (2024) observed that family firms delay the adoption of measures that negatively affect critical stakeholders such as employees (See also van Essen et al., 2015; Laffranchini et al., 2022; Bertschi-Michel et al., 2023). Considering this, the proactive pivoting strategies adopted will include both operational and portfolio turnaround strategies (Bertschi-Michel et al., 2023). Operational turnaround strategies include measures such as lay-offs and pay cuts aimed at saving cost (Hofer, 1980), while portfolio turnaround strategies

involve changes in the portfolio or range of products and services offered as well as the markets served (Eichner, 2010). That is to say that these proactive pivoting strategies will include portfolio turnaround moves (e.g., Bertschi-Michel et al., 2023) such as developing new ideas quickly and cheaply for products and services that are in high demand during the crisis, extending existing capabilities into new markets (Issah et al., 2023), etc. This reasoning of preserving employee related socioemotional wealth is not often considered by non-family firms who will likely adopt proactive pivoting strategies (operational turnaround strategies) such as cost reductions via retrenchment of employees during crisis (Baù et al., 2024). Based on the previous arguments we formulate:

*Hypothesis 1a: A higher degree to which a proactive pivoting strategy is adopted in facing the immediate impact of COVID-19 is positively associated with employment change.*

Although family firms can pivot quickly due to their less formal structures (Andersson et al., 2018), they are nonetheless risk averse in their investment choices especially during the COVID-19 disruption when threats to their SEW such as dynastic succession, control and influence and emotional attachment was on the horizon (Gómez-Mejía et al., 2007). Pivoting may involve changing a product line which requires a certain level of dynamism, innovativeness, and the injection of financial resources. This can be challenging for family firms because of the emotional attachment to their core technologies or products (Gomez-Mejia et al., 2010). For this reason, pivoting will be detrimental to employment growth in family firms. However, for non-family firms pivoting may foster employment growth. For instance, as firms pivot towards new product lines, there will be new investment and redeployment of resources in these areas. Furthermore, firms may have to repurpose manufacturing equipment to produce essential supplies (Pansare & Yadav, 2022; Gonzalez-Aleu et al, 2022). The COVID-19 crisis also led to the development of new supply chains

especially for COVID-19 vaccines (Bown & Bollyky, 2022). All these will result in the expansion of production capacities needed to handle the new operations, which will lead to employment growth.

*Hypothesis 1b: The positive relationship between a higher degree of adoption of a proactive pivoting strategy and employment change is stronger in non-family firms than family firms.*

### *2.5. The moderating role of transparent leadership communication at times of crisis*

In times of crisis when there is general uncertainty regarding new strategic initiatives such as pivoting, transparent leadership communication bespeaks the rationale for certain decisions and courses of action. Thus, creating less room for inferences or rumors regarding the leader's decisions (Gollan & Wilkinson, 2007). Recent studies have shown that transparent leadership communication also facilitates employees' openness for change (Yue et al., 2019) and willingness to disclose their health situation (Lee & Li, 2020), especially during COVID-19. This ultimately builds more understanding, organizational supportive behaviour and engagement in implementing the pivoting objectives or strategic renewal initiatives during crisis (Kim, 2018). Communicating clearly and transparently during crisis has also been found to prevent emotional exhaustion and burnout which are antecedents of employee turnover especially when employees have to meet excessive job demands during periods of crisis driven organizational changes occasioned by new strategic initiatives (Kim & Lee, 2021).

*Hypothesis 2a: The relationship between a higher degree of adoption of proactive pivoting strategy and employment change is positively moderated by transparent leadership communication.*

Transparent leadership communication has been shown to increase employees' openness for change (Yue et al., 2019) via creating more understanding for strategic change initiatives during crisis (Kim, 2018). Transparent leadership communication has also been shown to reduce turnover, by preventing emotional exhaustion and burnout during periods of crisis driven strategic initiatives (Kim & Lee, 2021). Unlike non-family firms, family firm employees have also been shown to exhibit loyalty and support for organizational initiatives (Bammens et al., 2015). This coupled with transparent leadership communication will lead to increased engagement and consequently less employee turnover during difficult economic times such as during COVID-19. This is especially so given that family firms in pursuit of socioemotional wealth gains implement proactive pivoting strategies that benefit employees and mitigate the effects of COVID-19 on job turnover (Baù et al., 2024). Therefore, it is plausible to anticipate a positive moderating effect of family firms on the relationship between proactive pivoting strategies and employment change. This because both transparent leadership communication and family influence provide favorable conditions for proactive pivoting initiatives that in turn foster positive employment change. Considering these arguments, we provide the following hypothesis.

*Hypothesis 2b: In family firms (non-family firms) the positive relationship between a higher degree of adoption of proactive pivoting strategy and employment change is positively (negatively) moderated by transparent leadership communication.*

Figure 1 presents the research model of the study.

\*\*\*INSERT FIGURE 1 HERE\*\*\*

### **3. Methods**

#### *3.1. Data collection*

To test our hypotheses, we use data from a global survey conducted by the Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium. STEP Project Global Consortium (SPGC) is an initiative launched to explore entrepreneurship practices within the family businesses. It leads context-sensitive applied research initiative every year with the aim to investigate business families across generations.

The global survey was launched in June 2020 and completed in October 2020. The questionnaire was designed by a research team with more than 10 years of experience in conducting qualitative and quantitative research. It was first developed in English and then translated into 13 languages. The questionnaire was pre-tested with the aim to minimize consistency artifacts, to modify questions ambiguous, vague, and unclear, and to exclude erroneous indicators. Respondents are typically senior family business leaders having an overall strategic overview and an effective ownership control of their company. In total, 3,010 family and non-family businesses completed the questionnaire from 75 countries in five world macro-regions (Europe, The Americas, Asia Pacific, and the Middle East & Africa).

To have a robust and representative sample, we considered only countries with at least 20 responses. Additionally, due to data unavailability, we further reduced our sample, leading to a final sample size of 2,192 observations, respectively 1,819 family businesses and 373 non-family businesses.

Table 1 shows the distribution of our sample across the industries while Table 2 summarizes home countries. The main home countries are Spain (430 observations) and Germany (415). The most enterprises are in the service industry, which account for 1,416 observations.

\*\*\*INSERT TABLES 1 AND 2 ABOUT HERE\*\*\*

### *3.2. Variable Description*

*Dependent variable.* To capture the effect of strategic behaviors during COVID-19, our dependent variable is the employment change. We measured it as the variation in percentage of employees before and during the COVID-19 pandemic. Specifically, we used the following two questions from the questionnaire: “*Number of employees in your business before COVID-19 pandemic stated in your country*”, and “*Number of employees in your business today (during the COVID-19 pandemic)*”. A positive value means an increase in percentage of employees during COVID-19 pandemic; a negative value means, instead, a decrease in that percentage.

*Explanatory variables.* The main explanatory variable is *Proactive pivoting strategy*. The proactive pivoting strategy captures the propensity of the enterprise to engage in firm renewal or transform its business (De Massis et al., 2018; Kirtley & O'Mahony, 2020). With this variable, we attempt to identify the degree to which an enterprise is proactive in facing unexpected and dramatic events, like a crisis. As captured in Table 3, we measure this variable by adapting items from Klammer et al. (2017) and Issah et al. (2023) considering five questions from the questionnaire. A 5-point Likert-type scale from 1 (completely rejected the strategy) to 5 (strongly engaged with this strategy) was employed. We employed a principal component analysis (PCA) with a varimax rotation and Kaiser normalization to produce a single construct with a Cronbach  $\alpha = 0.80$  that indicates a good overall reliability. The Bartlett test of sphericity showed a p-value equal to 0.00, indicating a good correlation among the items. Additionally, we performed a confirmatory factor analysis (CFA) to check the reliability and validity of the construct. The AVE (Average Variance Extracted) and the CR (Construct Reliability) for proactive pivoting strategy were respectively 0.55 and 0.80 above the recommended values of 0.50 for AVE and 0.70 for CR.

*Moderating variable.* Our moderating variable is *Transparent leadership communication*, which captures how transparent is the communication in the organization (Men, 2014; Yue et al., 2019); and *Family firm*. We measured *Transparent leadership communication* using three

questions as captured in Table 3. Again a 5-point Likert-type scale was used from 1 (strongly disagree) to 5 (strongly agree). Through a PCA with varimax rotation, we built one construct from the three items with a Cronbach  $\alpha = 0.83$ , and a significant Bartlett test of sphericity. The higher is the value of this single construct the stronger is the transparent leadership communication. The AVE and the CR are respectively 0.80 and 0.92. The second moderating variable, *Family firm*, is a dummy variable that takes value 1 in case of a family firm, and 0 in case of a non-family firm. We distinguished between Family and non-Family firm through the survey. Specifically, the first question of the survey is: “Is your business a family business? (Family Businesses are defined as organizations where an individual or a single family (potentially multiple branches) owns a controlling interest and there is an intent to pass control/ownership on to the next generation)”.

*Control variables.* We include a set of control variables that might affect the employment change. Firstly, we controlled for *Passive waiting strategy*, which captures the propensity of enterprises to exercise caution and wait before to take strategic decisions (Clarke & Liesch, 2017). With this variable, we attempt to identify firms’ degree of inertia in facing unexpected and dramatic events, like a crisis. We adapted measures from Li et al. (2016) and (Polites & Karahanna, 2012) and measure this variable using three questions (See Table 3). We employed a 5-point Likert-type scale from 1 (completely rejected the strategy) to 5 (strongly engaged with this strategy). We further employed a PCA with a varimax rotation and Kaiser normalization to produce a single construct with a Cronbach  $\alpha = 0.70$  that indicates overall reliability. The Bartlett test of sphericity showed a *p*-value equal to 0.00, indicating a good correlation among the items. The AVE and the CR are respectively 0.45 and 0.7.

We also controlled for the size of the enterprise, which has been captured through three Firm Size dummy – *Small, Medium and Large* – using the classification provided by STEP Project Global Consortium based on the number of employees (less than 50 employees, between 50 and

250 employees, and more than 250, respectively). Regarding the industry-level control, we employ one dummy capturing the sector mostly involved in our sample based on our descriptive statistics (see Table 2), i.e., *Service Industry*. Then, country level controls have been added to take into account home country characteristics. Based on our descriptive statistics (see Table 1), we introduce two dummies to account for the two main home countries, i.e., *Home Country – Spain*, and *Home Country - Germany*. Additionally, we control for both the economic support (i.e., income support, debt relief, provision of public aid), and the government responses (i.e., “lockdown” restrictions, closures, health system policies) established by each country to face the COVID-19 pandemic. To measure those two control variables, we use the Oxford COVID-19 government response tracker dataset provided by Blavatnik School of Government, University of Oxford. Finally, we controlled for the involvement of employees into the enterprise – *Employee Empowerment*. We measured this variable using three items in line with Krause et al. (2022) and Faraj and Sambamurthy (2006) (see table 3). The PCA gives back one single construct with a Cronbach  $\alpha = 0.84$ . The AVE and the CR are respectively 0.80 and 0.92.

\*\*\*INSERT TABLE 3 ABOUT HERE\*\*\*

## **4. Results**

### *4.1. Statistical Approach*

To test our theoretical framework, we employed multiple linear regression models with moderator effects using the bootstrapping approach (i.e., resampling data 5,000 times). Following Hayes (2017), bootstrapping is the most reliable approach to test moderation. Table 4 reports the correlation matrix and descriptive statistics of the dependent and explanatory variables. The highest pair-wise correlation is between *Transparent leadership communication* and *Employee empowerment*. So, we computed the Variance Inflation Factors to rule out multicollinearity issues,

and we confirm that no factors exceed the critical threshold of 10 (Hair Jr et al., 1995). Table 5 compares the variable means for the family firm sample and the non-family firm ones.

\*\*\*INSERT TABLE 3 AND 4 ABOUT HERE\*\*\*

#### 4.2. Regression results

Table 6 provides the outcome of our multiple linear regression models. Model 1 shows the results with only controls, Model 2 the direct effect of the two strategies, while Models 3-6 the interaction effects.

\*\*\*INSERT TABLE 6 ABOUT HERE\*\*\*

In hypothesis 1a, we predict a positive relationship between the adoption of a proactive pivoting strategy and employment change in facing the immediate impact of COVID-19. As shown in table 6 (model 2), the corresponding coefficient is positive and statistically significant with a  $p$ -value below 1%. We find support for H1a.

In hypothesis 1b, we predict that the positive effect of a proactive pivoting strategy on employment change is stronger in non-family firms than in family firms. In table 6, model 3, we test this relationship. Looking at the results, the corresponding coefficient is negative and significant with a  $p$ -value below 5%. We plotted the interaction effect to facilitate the interpretation and we conducted simple slopes test to check statistical significance of the slopes and between points (Aiken et al., 1991). Figure 2 shows that in family firms, the simple slope is 3.345 and significantly different from zero at the  $p$ -value  $< 0.01$ . On the contrary, in case of non-family firms, the simple slope is higher at 4.375 and significantly different from zero at the  $p$ -value  $< 0.01$ . Thus, we can conclude that our H1b is supported.

In hypothesis 2a, we test the moderating role of *Transparent leadership communication*. Specifically, we predict that the positive relationship between a proactive pivoting strategy and employment change is strengthened by transparent leadership communication. Looking at table 6, model 5, the corresponding coefficient is negative and significant with a *p*-value below 5%. We plotted the interaction effect in Figure 3. In case of low transparent leadership communication, the simple slope is 5.829 and significantly different from zero at the *p*-value < 0.01. On the contrary, in case of high transparent leadership communication, the simple slope is not significant. It means that a low transparent leadership communication can increase the positive effect of a proactive pivoting strategy on employment change. Thus, our H2a is not supported.

In hypotheses 2b, we test the moderation effect of transparent leadership communication on the main relation in case of family and non-family firms. We predicted that in non-family firms (family firms) the positive relationship between a proactive pivoting strategy and employment change is positively (negatively) moderated by transparent communication. In table 6, model 6, the corresponding coefficient is negative and significant with a *p*-value below 1%. We plotted the interaction effect in Figure 3. In case of high transparent communication, the simple slope is higher and significantly different from zero at the *p*-value < 0.01 in non-family firms than in family firms. H2b is supported.

Among control variables, it is interesting to see the positive and significant effect of Germany that testifies how Germany helped promptly German enterprise during COVID-19, outperforming most European and International peers (Caceres et al., 2021).

\*\*\*INSERT FIGURES 1, 2 AND 3 ABOUT HERE\*\*\*

We also conduct a set of robustness tests. Firstly, we split our sample in family and non-family firms. Results are shown in tables 7 and 8. The results remain robust and in line with the results presented above.

\*\*\*INSERT TABLES 7 AND 8 ABOUT HERE\*\*\*

Secondly, we include specific family variables in our models with the family business sample. Mainly, we introduce as control variables the presence of a family CEO, the generation of the family business, and the internal and external involvement of family members to face COVID-19. The results remain robust and in line with the results presented above.

Third, we tested whether the presence of multiple generations in the management of the family firm may moderate the main effect between the pivoting strategy and the employment change in the sample consisting solely of family firms. The results are reported in table 9. The corresponding coefficient is negative and significant, with a  $p$ -value below 1%. This suggests that the presence of multiple generations in managing the family firm may weaken the positive relationship between the adoption of a proactive pivoting strategy and employment change when facing the immediate impact of COVID-19.

\*\*\*INSERT TABLE 9 ABOUT HERE\*\*\*

## **5. Discussion and conclusions**

### *5.1. Discussion*

In this paper, we investigate the effects of specific crisis management strategies adopted during COVID-19 on employment change. We also examined how transparent leadership communication moderates the relationship between crisis response strategies – proactive pivoting – and employment change taking the firm type (family firms and non-family firms) into consideration.

First, we find empirical support for the prediction that there is a positive relationship between the adoption of a proactive pivoting strategy and employment change. This is consistent with prior studies relating to COVID-19 pandemic that have shown that proactive changes to the organization helped firms to adapt to the increasingly volatile business environment (Gereffi, 2020; Kano & Hoon Oh, 2020; Manolova et al., 2020). In line with others (e.g., Breier et al., 2021; Clauss et al., 2021), we could show that these substantial changes (e.g., to the business model) can yield not only effects on softening the negative effects of crises but even facilitate growth under severe crisis circumstances. Compared to previous research, we however find that this relationship is stronger in non-family firms thus, questioning the ability of family firms to preserve or increase jobs through proactive pivoting strategies. This interesting finding may be explained by the generation in control the family firms or the presence of multiple generation in the family firms. This is because recent studies show that family firms controlled by founding generations tend to do less proactive pivoting via strategic renewal activities owing to the lack of managerial capabilities needed to efficiently prosecute these proactive pivoting initiatives (Issah et al., 2023). Perhaps the family firms in the sample lack the needed capabilities to consequently change their practices while preserving jobs during COVID-19 (Calabrò et al., 2021). This finding is also contrary to the widely held view that family firms downsize less (Amato et al., 2022) because they fulfill implicit contracts (Sraer & Thesmar, 2007) and adhere to employment protection measures during crisis (Bjuggren, 2015).

Second, our empirical analysis unveils a counterintuitive effect against our initial predictions. We find a negative moderation effect of transparent leadership communication on the effect of proactive pivoting on employment change in family firms. We see two potential theoretical explanations for this finding. On the one hand, COVID-19 is severely challenging the behavior of family firms (Firfiray & Gomez-Mejia, 2021), as family firms have to violate deeply

held assumptions and take decisions such laying off employees that hitherto were considered uncharacteristic of family firms (De Massis & Rondi, 2020). Therefore, it may be the case that proactive pivoting that may substantially affect traditions and deeply rooted assumptions may better be executed without an extensive communication, potentially creating discussions and reducing the agility in the turnaround situation. On the other hand, our finding may point to a substitutive effect of transparent leadership communication and a proactive pivoting strategy. If both measures are benefitting employment change through different mechanisms, following one approach may substantially reduce the effectiveness of the other. Previous research has highlighted the significant contributions by employees during crises – particularly in family businesses – (Kraus et al., 2020), which may render pivoting the business model unnecessary. If transparent leadership communication motivates family business employees to dedicate their resources to helping the company during the crisis (e.g., by working extra hours or through more efficient resource utilization), this mechanism may help firms realize growth even without pivoting the course of action. This reasoning is further substantiated by the fact that the negative moderation turns into a positive moderation for isolating non-family businesses, where proactive pivoting together with transparent leadership communication yield a positive interaction on employment growth.

Third, our findings diverge from Bertschi-Michel et al. (2023) who in part observe that a higher degree of family ownership is associated with sacrificing normative dimensions SEW by employing proactive pivoting (operational turnaround) strategies such as layoffs. We theorize and show that family firms are keen to preserve employee related SEW, which then makes them focus on portfolio turnaround strategies associated with new ideas and new product and service offerings, as well as redeploying existing capabilities into new markets.

## *5.2. Contribution to research*

First, we contribute to the leadership literature by revealing that the style of communication adopted by family and non-family firms' leaders during a crisis has positive consequences for employment changes. By showing that this effect negatively interacts with proactive pivoting for family businesses and positively interacts with proactive pivoting for non-family businesses, we add an important new perspective to the ongoing conversation about the effect of leadership style on firm level processes and outcomes in family firms (Fries et al., 2021). We show that the differences of family businesses and non-family businesses fundamentally alter the outcome effects of different leadership approaches. Whereas family firms should not accompany substantial changes to the organization with transparent leadership communication, non-family firms would be advised doing exactly that. Considering this, the assumptions and mechanisms of well-known leadership theories (e.g., transformational leadership theory) may have to be revalidated for the context of family businesses.

Second, we contribute to the crisis management literature by highlighting the social dimension (impact on employment) of strategic responses to crisis. Evidence seems to support that attempts to more passively maintain the status quo are not only economically insufficient but will ultimately lead to employment reduction. We found evidence that proactive firms that were able to move quickly and change their business models stood a better chance of preserving or even increasing employment in facing the immediate impact of COVID-19. Moreover, this positive effect is stronger in non-family firms than in family firms, supporting previous research arguing that in times of uncertainty as witnessed during the COVID-19 crisis, family firms prefer strategic activities that keep the status quo such as maintaining family control and preserving SEW (Chirico et al., 2011; Classen et al., 2014) being even willing to lay-off employees just to keep the business operational.

Third, we contribute to the established perspectives on social responsibility and employment protection in family firms (Stavrou et al., 2007; Block, 2010; Bjuggren, 2015; Neckebrouck et al., 2018). Non-family firms following a pivoting strategy may grow the workforce more significantly. Whereas transparent leadership communication during the crisis will significantly strengthen the effect of pivoting on employment growth, family managers' interventions reduce this effect. Thus, although driven by good intentions, attempts to maintain the status quo by family managers may eventually worsen the situation for family firm employees in times of crisis.

Fourth, we add to the complex puzzle of studies which aims to understand family firms' behavioral patterns during an unprecedented external shock such as the pandemic outbreak (e.g. Calabrò et al., 2022; Kraus et al., 2020).

### *5.3. Policy and managerial implications*

As governments roll out policy initiatives aimed at supporting firms to overcome the disruptions and social cost of the crisis, it is important that these programs are targeted to achieve the intended results. Our study provides a snapshot of firm behavior and the conditions under which firms can better engage in organizational transformation activities to stamp the social cost of the pandemic. Our study may help policy makers in determining what firms to target in their disbursement and award of such business support programs. Policy makers may go further on the: ``what are the enabling conditions and how can these be promoted? This also means that institutional conditions and differences should be explored.

### *5.4. Limitations and future research*

Our study is not without limitations. First, our study does not take into consideration how family firm heterogeneity may influence the strategic responses to the crisis (Wright et al., 2014; Calabrò

et al., 2019; Neubaum et al., 2019). For instance differences in governance, varying ownership levels as well as intentions for transgenerational transfer are important drivers that may influence the choices of family firms (Chua et al., 2012). In view of this, future studies should account for these differences in order to provide a more nuanced and holistic view of the behavior of family firms during the COVID-19 crisis. Second, while we consider the international nature of our dataset as a strength, it is plausible to note that, we did not closely examine the impact of the differences in COVID-19 waves as well as government responses. For instance, it is less likely that Kenya and Italy responded similarly to the crisis given the differences in waves, intensity as well as government approach to the crisis. Future studies may consider countries with similar waves patterns and responses to provide fine grained understanding of the crisis and the subsequent actions of firms.

### *5.5. Conclusion*

The aim of our paper was to investigate the effects of proactive pivoting on employment change in family and non-family firms, considering the moderating role of directive leadership during the COVID-19 crisis. Our study brings to the fore the social dimensions of crisis management practices in family and non-family firms.

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## TABLES

*Table 1. Distribution of our sample by countries*

Countries	Home country	Home country %
Spain	430	19.66
Germany	415	18.98
France	162	7.44
Rwanda	139	6.34
Morocco	96	4.38
Egypt	95	4.33
Venezuela	93	4.24
Canada	83	3.79
Greece	77	3.51
Italy	63	2.87
UAE	63	2.87
Colombia	58	2.65
Ireland	57	2.6
Malaysia	53	2.42
The Netherlands	52	2.37
Brazil	48	2.19
Ecuador	45	2.05
Austria	42	1.92
USA	40	1.82
India	36	1.64
Kenya	25	1.14
China	20	0.79
<b>Total</b>	<b>2192</b>	<b>100</b>

*Table 2. Distribution of our sample by industry*

Industries	N.	%
Primary	86	3.92
Manufacturing	506	23.08
Construction	184	8.4
Service	1,416	64.6
<b>Total</b>	<b>2192</b>	<b>100</b>

*Table 3: Description of Variables*

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**Proactive pivoting strategy.** Adapted from Klammer et al. (2017) and Issah et al. (2023)

Question: To what extent are the following aspects important to your firm in responding to the COVID-19 crisis? Response scale ranges from 1 (completely-rejected the strategy) to 5 (strongly-engaged with this strategy)

- 1 Explored new revenue generating products and services to offer during the COVID-19 crisis
- 2 Encouraged revenue generating ideas from the next generation of family business members
- 3 Developed new ideas quickly and cheaply that are in high demand during the crisis
- 4 Sought opportunities to extend existing capabilities into new markets
- 5 Invested in new ideas, products and service

**Passive waiting strategy.** Adapted measures from Li et al. (2016) and Polites et al. (2012)

Question: To what extent are the following aspects important to your firm in responding to the COVID-19 crisis? Response scale ranges from 1 (completely-rejected the strategy) to 5 (strongly-engaged with this strategy)

- 1 Took a wait and see how this crisis turns out
- 2 Manage the cash expenditures by avoiding risky new product/service launches
- 3 Took the downtime to re-tool and prepare for business and markets to reopen

**Transparent leadership communication** Adapted from Yue et al., (2019) and Men, (2014).

Question: To what extent do you agree with the following statements? Response scale ranges from 1 (strongly disagree) to 5 (strongly agree)

- 1 It is our priority that employees have the information and knowledge they need to respond to the COVID-19 situation  
We make conscious effort to ensure that critical information is available in different formats and locations to respond to the COVID-19 situation
- 2 Top management team provides good leadership during the COVID-19 crisis.

**Employee empowerment.** Adapted from Krause et al. (2012) and Faraj et al. (2006).

Question: To what extent do you agree with the following statements? Response scale ranges from 1 (strongly disagree) to 5 (strongly agree)

- 1 Our managers and employees are learning every day to solve problems and moving forward during the COVID-19 situation  
Our organization actively encourages employees to challenge and develop themselves to overcome the problems that the COVID-19 situation is creating
  - 3 Our employees are trying to use their knowledge and abilities to respond in a novel way to the COVID-19 situation
-

Table 4. Correlation matrix and summary statistics.

Variables	1	2	3	4	5	6	7	8	9	10	11	12
1. Employment change	1											
2. Proactive pivoting strategy	<b>0.097</b>	1										
3. Passive waiting strategy	<b>-0.084</b>	<b>-0.030</b>	1									
4. Transparent leadership communication	<b>0.121</b>	<b>0.304</b>	0.001	1								
5. Employee empowerment	<b>0.063</b>	<b>0.331</b>	-0.016	<b>0.690</b>	1							
6. Firm size - Small	<b>-0.089</b>	<b>-0.071</b>	<b>0.094</b>	<b>-0.187</b>	<b>-0.135</b>	1						
7. Firm size - Medium	0.019	0.027	-0.013	<b>0.052</b>	0.033	<b>-0.596</b>	1					
8. Service industry	<b>-0.082</b>	<b>0.047</b>	-0.018	-0.017	0.028	<b>0.185</b>	<b>-0.097</b>	1				
9. Home country - Spain	<b>0.153</b>	0.024	<b>0.046</b>	0.003	<b>-0.064</b>	-0.008	<b>0.087</b>	<b>-0.092</b>	1			
10. Home country - Germany	<b>0.048</b>	-0.001	<b>-0.163</b>	0.014	0.026	-0.026	0.004	-0.015	<b>-0.225</b>	1		
11. Economic support index	0.024	-0.019	<b>-0.116</b>	<b>0.065</b>	<b>0.040</b>	-0.016	<b>-0.055</b>	0.000	<b>-0.509</b>	<b>0.583</b>	1	
12. Government response index	<b>-0.189</b>	<b>-0.064</b>	<b>0.119</b>	<b>-0.050</b>	0.037	<b>0.100</b>	<b>-0.058</b>	0.037	<b>-0.480</b>	<b>-0.223</b>	<b>0.062</b>	1
Mean	-8.961	-0.001	0.017	0.029	0.008	0.531	0.236	0.646	0.190	0.197	61.42	60.37
Std. Dev.	22.255	0.997	1.000	0.955	0.970	0.499	0.425	0.478	0.392	0.398	15.37	4.11
Min	-100.000	-2.402	-2.329	-4.576	-4.108	0.000	0.000	0.000	0.000	0.000	27.34	55.69
Max	118.000	1.997	2.220	1.138	1.429	1.000	1.000	1.000	1.000	1.000	91.53	70.33

Notes: Correlations in bold are statistically significant at  $p < 0.05$

Table 5. Comparison between Non-family firms and Family firms

Variables	Non-Family Firms	Family Firms	t-test for differences in means
Proactive pivoting strategy	-0.0106	-0.0021	-0.2377
Passive waiting strategy	-0.0005	0.0001	-0.0124
Transparent leadership communication	-0.1462	0.0299	-3.268***
Employee empowerment	-0.0347	0.0071	-0.7739
Firm Size - Small	0.6009	0.5141	3.235***
Firm Size - Medium	0.1682	0.2555	-3.802***
Service industry	0.7639	0.6217	5.284***
Home country - Spain	0.1274	0.2049	-3.667***
Home country - Germany	0.0480	0.2029	-7.632***
Economic support index	61.761	61.358	0.486
Government response index	60.738	60.300	1.981**

Notes: Table 4 shows the means for each variable in the group of non-family firms ( $N = 373$ ) and in the group of family firms ( $N = 1,819$ ), as well as the  $t$ -statistics for the difference in means. \*, \*\* and \*\*\* denote significance at the 10%, 5% and 1% level.

Table 6. Results of the multiple linear regression models

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4	(5) Model 5
Proactive pivoting strategy		1.632*** (0.524)	4.375*** (1.458)	1.649*** (0.526)	3.686** (1.504)
Passive waiting strategy	-0.990* (0.536)	-0.952* (0.535)	-1.022* (0.540)	-0.965* (0.534)	-1.106** (0.537)
Transparent leadership communication	2.265*** (0.730)	2.016*** (0.724)	2.022*** (0.734)	1.736** (0.749)	4.412*** (1.564)
Employee empowerment	-0.063 (0.637)	-0.453 (0.653)	-0.453 (0.657)	-0.440 (0.653)	-0.450 (0.652)
Family firm	-1.048 (1.522)	-0.985 (1.508)	-1.030 (1.506)	-0.952 (1.513)	0.134 (1.531)
Firm Size – Small	-3.292*** (1.094)	-2.951*** (1.111)	-2.909*** (1.112)	-3.040*** (1.124)	-3.259*** (1.103)
Firm Size – Medium	-2.735** (1.158)	-2.630** (1.151)	-2.615** (1.161)	-2.704** (1.158)	-2.984** (1.169)
Service industry	-2.624*** (0.920)	-2.796*** (0.923)	-2.931*** (0.920)	-2.776*** (0.922)	-2.864*** (0.917)
Home country – Spain	-1.337 (1.451)	-1.697 (1.458)	-1.365 (1.450)	-1.689 (1.456)	-1.321 (1.438)
Home country – Germany	8.367*** (1.757)	8.277*** (1.696)	8.547*** (1.755)	8.174*** (1.704)	8.531*** (1.754)
Economic support index	0.165*** (0.050)	0.167*** (0.050)	0.165*** (0.050)	0.168*** (0.050)	0.170*** (0.049)
Governement response index	-0.811*** (0.159)	-0.769*** (0.158)	-0.758*** (0.158)	-0.764*** (0.157)	-0.724*** (0.157)
Proactive pivoting strategy* Family firm			-3.303** (1.527)		-2.440 (1.588)
Proactive pivoting strategy*Transparent leadership communication				-0.918** (0.441)	2.747** (1.272)
Family firm* Transparent leadership communication					-3.527** (1.727)
Proactive pivoting strategy* Family firm* Transparent leadership communication					-4.621*** (1.436)
Constant	33.261*** (10.484)	29.752*** (10.458)	29.986*** (10.473)	29.733*** (10.445)	27.236*** (10.416)
Observations	2,192	2,192	2,192	2,192	2,192
R-squared	0.080	0.086	0.089	0.088	0.100
Adjusted R-squared	0.075	0.081	0.083	0.082	0.093
F-value	18.02***	16.17***	15.14***	15.25***	13.04***

\* p<0.1, \*\* p<0.05, \*\*\* p<0.01. Robust S.E. between brackets.

Table 7. Results of the multiple linear regression models with moderation effects

Variables	Full Sample	Family Business	Non-Family Business
	(1) Model 1	(2) Model 2	(3) Model 3
Proactive pivoting strategy	1.632*** 0.486	1.258** 0.505	3.712** 1.475
Transparent leadership communication	2.016*** 0.653	1.700** 0.690	3.209* 1.833
Passive waiting strategy	-0.952** 0.469	-0.804* 0.491	-1.677 1.377
Employee empowerment	-0.453 0.644	-0.889 0.675	1.806 1.887
Firm Size - Small	-2.950** 1.192	-3.767*** 1.257	-1.902 3.474
Firm Size - Medium	-2.630* 1.348	-2.031 1.378	-10.294** 4.612
Service industry	-2.795*** 0.980	-3.046*** 0.999	-1.090 3.326
Home country - Spain	-1.697 1.503	-0.830 1.558	-3.641 4.807
Home country - Germany	8.277*** 1.730	7.460*** 1.783	14.166** 7.193
Economic support index	0.166*** 0.046	0.130*** 0.048	0.328** 0.137
Government response index	-0.769*** 0.138	-0.781*** 0.146	-0.619 0.401
Constant	-7.053*** 0.96	-6.860 1.211	-7.923 3.156
Number of observations	2,192	1,819	373
R	0.25	0.30	0.32

\* p<0.1, \*\* p<0.05, \*\*\* p<0.01. S.E. between brackets.

Table 8. Results of the multiple linear regression models with moderation effects

Variables	Full Sample	Family Business	Non-Family Business
	(1) Model 1	(2) Model 2	(3) Model 3
Proactive pivoting strategy	1.649*** 0.49	1.244** 0.507	3.287** 1.477
Passive waiting strategy	-0.965** 0.47	-0.867* 0.489	-1.873 1.371
Transparent leadership communication	1.735*** 0.666	1.100 0.703	3.853** 1.843
Proactive pivoting strategy*Transparent leadership communication	-0.918** 0.441	-1.828*** 0.455	3.107** 1.344
Employee empowerment	-0.439 0.644	-0.881 0.672	1.559 1.879
Firm Size - Small	-3.04** 1.192	-3.969*** 1.252	-1.531 3.457
Firm Size - Medium	-2.703** 1.348	-2.232* 1.372	-10.228** 4.584
Service industry	-2.776*** 0.979	-3.007*** 0.995	-1.254 3.307
Home country - Spain	-1.689 1.502	-0.812 1.551	-3.940 4.780
Home country - Germany	8.174*** 1.730	7.307*** 1.775	14.631** 7.153
Economic support index	0.167*** 0.046	0.131*** 0.048	0.326** 0.136
Gouvernement response index	-0.764*** 0.138	-0.757*** 0.145	-0.537 0.399
Constant	-6.705*** 1.172	32.267*** 9.747	3.962 26.716
Number of observations	2,192	1,819	373
R	0.26	0.32	0.34

\* p<0.1, \*\* p<0.05, \*\*\* p<0.01. Robust S.E. between brackets.

Table 9. Results with the moderation of multiple generations in the management of the family firm

VARIABLES	(1) Model 1	(2) Model 2
Proactive pivoting strategy	1.244** (0.539)	5.017*** (1.185)
Passive waiting strategy	-0.751 (0.560)	-0.665 (0.559)
Transparent leadership communication	1.769** (0.808)	1.672** (0.804)
Employee empowerment	-0.922 (0.689)	-0.823 (0.687)
Multiple generations	2.787** (1.314)	2.718** (1.294)
Firm Size – Small	-3.874*** (1.172)	-3.913*** (1.169)
Firm Size – Medium	-2.025* (1.187)	-2.045* (1.181)
Service industry	-3.077*** (0.958)	-3.065*** (0.955)
Home country – Spain	-0.723 (1.487)	-0.513 (1.491)
Home country – Germany	7.225*** (1.841)	7.476*** (1.840)
Economic support index	0.118** (0.054)	0.115** (0.054)
Governement response index	-0.764*** (0.171)	-0.708*** (0.172)
Proactive pivoting strategy* Multiple generations		-4.560*** (1.290)
Constant	30.544*** (11.459)	27.327** (11.532)
Observations	1,819	1,819
R-squared	0.097	0.103
F-value	14.53***	14.64***

\* p<0.1, \*\* p<0.05, \*\*\* p<0.01. Robust S.E. between brackets.

## FIGURES

Figure 1. Research model

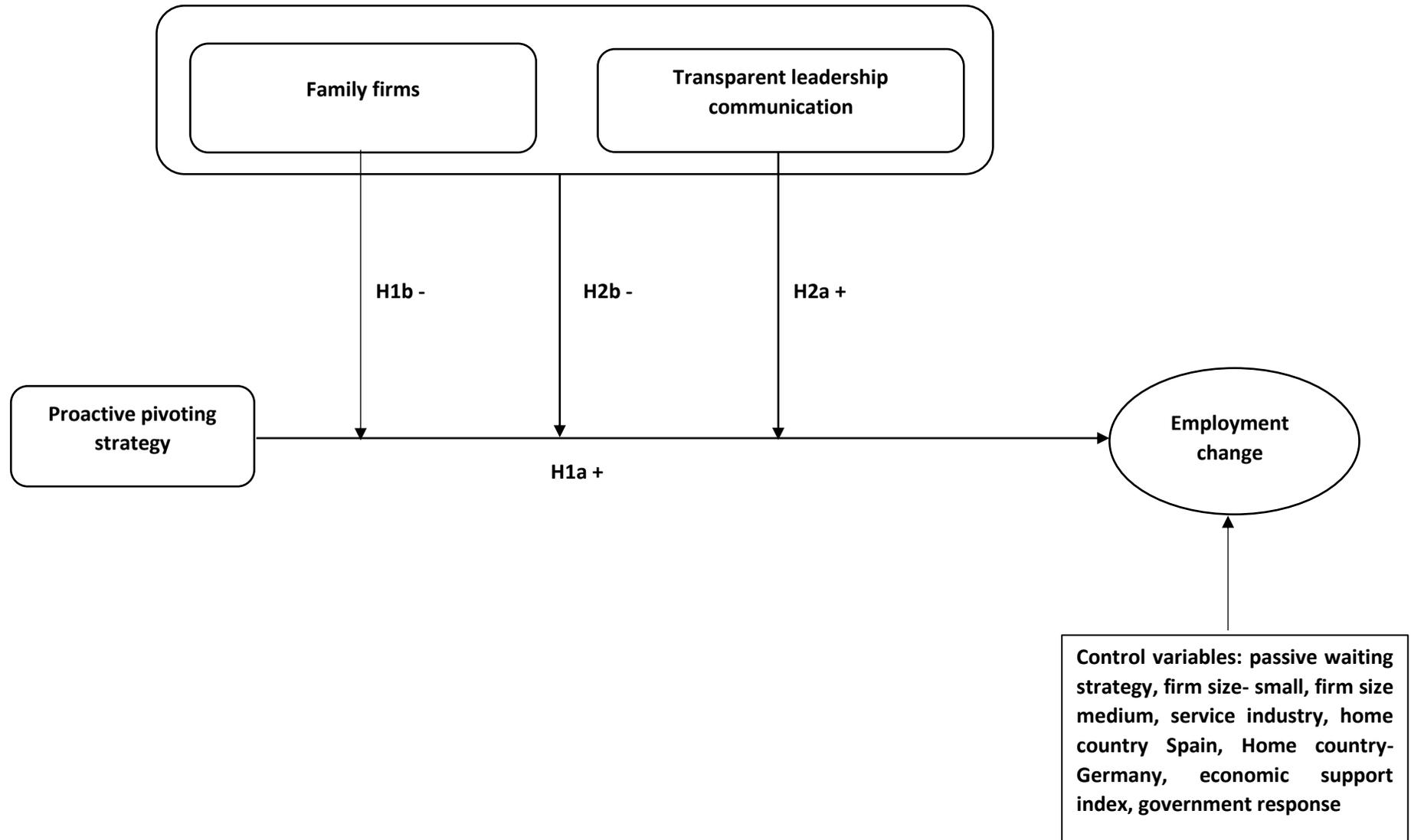


Figure 2. Proactive Pivoting strategy and Employment change: the moderating effect of family firms

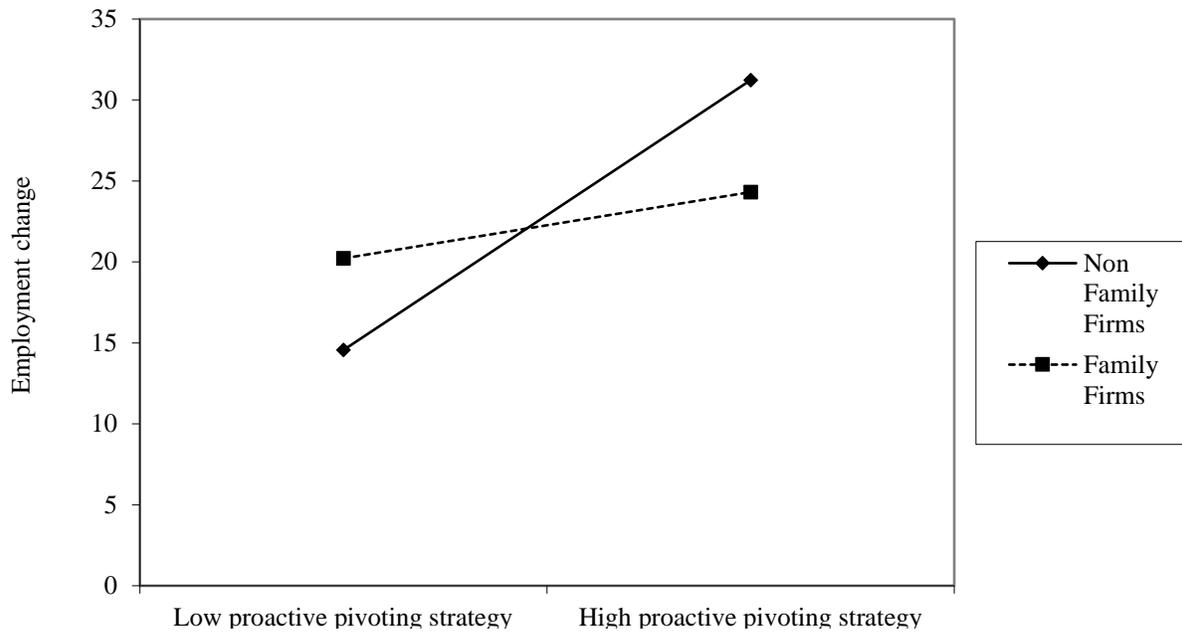


Figure 3. Proactive Pivoting strategy and Employment change: the moderating effect of transparent leadership communication

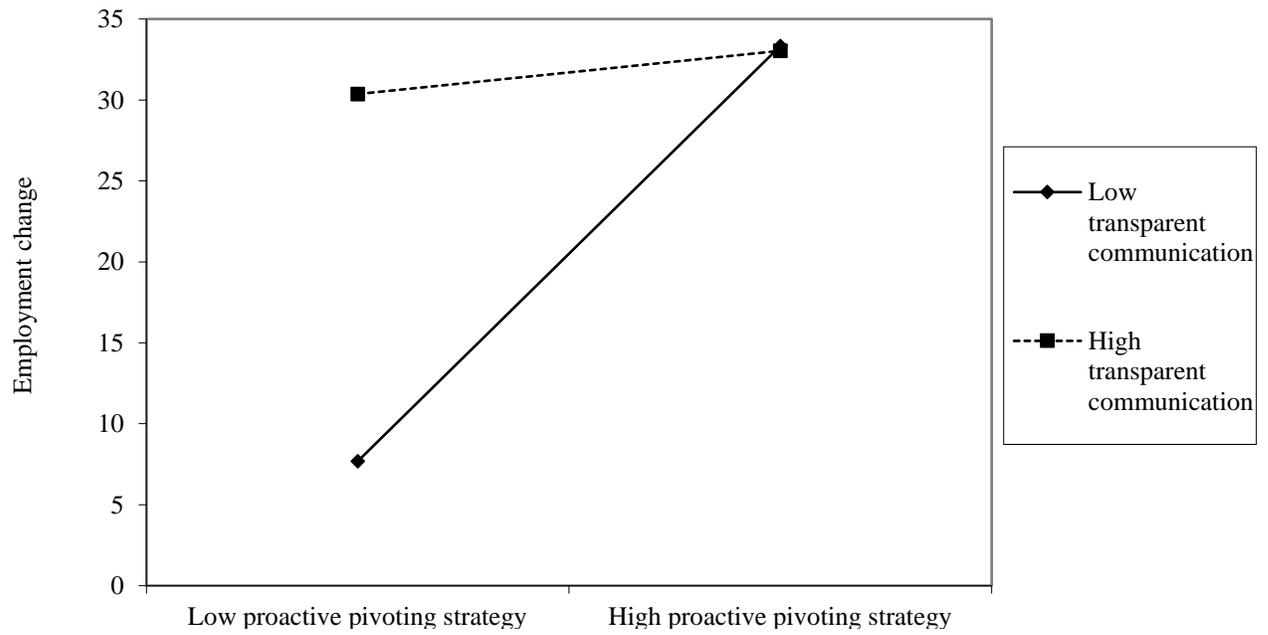


Figure 4. Proactive Pivoting strategy and Employment change: the moderating effect of transparent leadership communication and family firm.

