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The Reciprocal Involvement of Family Business Owners and Communities in Business Success

Jennifer Johnson Jorgensen, Diane Masuo, Linda Manikowske and Yoon Lee

Many family-owned businesses provide a variety of community-enhancing attributes, including income and employment opportunities, as well as leadership and financial support for community projects, civic clubs, and other local organizations (Niehm et al., 2017). This community support tends to grow as the family-owned business grows, as family business owners have been found to perceive greater business success when they are highly committed to the community (Niehm et al., 2008). Thus, in addition to the reciprocal relationship between family businesses and the community being associated with higher levels of perceived business success (Besser, 1999), a well-educated, stable, satisfied workforce, a healthy business environment, and a thriving community in which to live and to do business also results (Keim, 1978, Fry et al., 1982, Sethi, 1979).

In spite of these benefits, there has been limited research on how the level of owner involvement in the community (high involvement versus low involvement) and community involvement in local businesses (high involvement versus low involvement) impacts business success in long-standing family businesses.

To determine the level of involvement for both businesses and communities, we utilized a rare sample of 71 family business owners and operators that have been studied longitudinally over the past 19 years. Our sample represents the “survivors”—all of which are businesses that have survived for nearly two decades. For each iteration of the longitudinal survey, a telephone survey was utilized. To analyze the data, means, frequencies, percentages, and cross-tab analyses

were performed.

When investigating business owner involvement in the community, 71.8% of business owners reported that they helped other businesses in the community, and approximately 68% of business owners reported that their businesses donated and helped important programs in the community. Business owners also perceived that they contributed more to the community than the community contributed to their businesses. On the other hand, the mean value of perceived community involvement showed that only 26.8% of the business owners reported that their businesses participated in an organization in the community. Regarding the community's involvement in local businesses, 18.3% of the study sample felt that community organizations were not closely working with local businesses and community boards' decisions were not beneficial to their businesses. However, community support was apparent, as 35.2% of business owners perceived that they were being supported by the community itself, while 47.9% of the sample believed that people in the community helped their business.

In regard to business success, 49.3% of family business owners indicated that they were highly involved in the community and perceived their community to also have a high level of involvement. These owners were more likely to achieve their business goals and make a profit more often. However, when the business owners were highly involved in the community but felt that they had weak community support, only 21.1% perceived business success. Therefore, when business owners' involvement in the community was high, these owners were more likely to feel successful than those who were less involved in their community.

Overall, the results from this study suggest that when family businesses are more involved in their communities, the communities tend to reciprocate with higher levels of involvement in family businesses. Interestingly, these higher levels of involvement were associated with higher levels of perceived business success by the owners. Since business success can be traced back to the

level of owner involvement in the community, programming and business assistance for family businesses should purposefully encourage community and network growth.

To download the full article, visit: <https://www.mdpi.com/2071-1050/12/10/4048>

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Small Firm Success after a Natural Disaster: Do Individual and Aggregate Community Capital Matter?

Yoon Lee and George Haynes

Natural disasters are disruptive events in the community environment and such disasters can lead to business disruptions, which could influence the likelihood of demise. In times of disruption, community capital can play an important role in firm survival and success. Small firms could be at the heart of the economic sector in many communities. If communities in which business owners live and do business are to remain strong, those communities could offer economic opportunities such as entrepreneurship for business owners. Using data from the 2013 Small Business Survival and Demise after a Natural Disaster (SBSD) project, the primary purpose of this study was to examine the relationship between community capital and small firm success after Hurricane Katrina. Specifically, this study examined to what extent individual community capital and aggregate community capital influence small firm success after a natural disaster. The two main research questions are: 1) Did owners' community capital affect small firm success after Hurricane Katrina? 2) Did aggregate community capital influence small firm success after Hurricane Katrina? Firm success was measured by the level of perceived success by firm owners. This study further investigated business and owner characteristics that could influence firm success.

The results of this study indicate that the effects of both individual and aggregate community capital were statistically significant in predicting firm success after a natural disaster. Specifically, the individual community capital, which includes the familiarity of neighbors and friends and the emotional attachment to the community, was positively associated with the perceived business success among the owners. It also shows that among the aggregate community capital, firm owners, who perceived that their community became stronger compared to before Katrina, had higher levels of business success than those who perceived the community as weaker. The findings suggest that as firm owners perceived their community stronger, they had higher levels of perceived business success.

This study also investigated other factors influencing small firm success after Hurricane Katrina. Business owners' racial background was statistically significant, suggesting that white business owners had higher levels of perceived success than their racial counterparts. Sole business ownerships as well as older businesses were negatively associated with the level of firm success. Business size was a significant predictor, indicating that higher numbers of employees increased the levels of perceived success. Those operating businesses in the coastal area had lower levels of perceived success than businesses located in other areas, possibly attributable to more extensive damage to businesses in closer proximity to the coast.

In this study, community capital was a focus in predicting small firm success after a natural disaster. This study concludes that there is significant impact of community capital on small firm success after Hurricane Katrina. The findings of this study suggest that both individual community capital and aggregate community capital play an important role in determining small firm success after a natural disaster. Among the community capital, subjective perception about the community was more important in determining the success of the firm than the involvement (participating in business, social and other organizations) and participation in the community. It can be said that the individual community capital (e.g., owners' perceived community capital) significantly increased the levels of perceived business success after a natural disaster. It is alarming that even after such a large disaster, about 80% of the business owners report that they are not prepared for another disaster. It is important for small business owners to know disaster preparedness and strategies to reduce vulnerabilities; however, it is also important for community leaders and government officials to recognize that the communities and businesses impacted by Hurricane Katrina are still struggling to overcome the disruptive event that originated outside the family and business system.

Bouncing Back Better: From Resilience to Regeneration

Sandra Sydnor, Renee Wiatt, Jonathon Day, and Maria I. Marshall

Headlines foreshadowing the devastating impact of Covid-19 on the hospitality and tourism industry pummeled airlines, restaurants and hotels; city and state governments and news organizations; and academic hospitality schools in colleges and universities, worldwide. Given the latest focus on a gradual reopening of businesses and travel, what does the industry need to hear to heal, regain its health, and be prepared for a potential 2nd wave of the pandemic (or more) and a natural or manmade disaster in its future?

Here is what we already know:

- The longer any business is closed, the less likely it is that it reopens.
- Diverse forms of social networks create numerous ways to access resources, people, and programs. This is particularly acute for small businesses because: (1) Smaller businesses, especially home-based and women-owned businesses (those with less than 100 employees) find it more difficult to survive than larger businesses. and (2) To some extent, larger businesses have more capital to fund failure. To wit, consider even the government loans designed for small businesses (the Paycheck Protection Program, PPP) where many small businesses were shut out, even as large companies received millions in aid.

How might the industry might bounce back better?

Much of what we read and hear from industry experts suggests that firms, while implementing innovative tactics (such as queuing at six feet and curbside/contactless services) would thrive in the long-term from greater resilience. We agree. Given that this particular pandemic has left no place untouched, it is also the case that resilience, *defined as the capacity to maintain core functions and values in the face of disturbance* (Orr, 2014), may not be enough in the long run. Particularly true for industries that that experience repeated catastrophes in short bursts of time, resilience may not be enough.

Regenerative strategies, the notion of leaving

the industry in a better position *post-disaster*, may offer attractive and also adaptive strategies. Mimicking results of unintended side effects of Covid-19 human behavioral changes (reductions in air pollution, carbon emissions, and greenhouse gases; improvement in the ozone; etc.) could produce scenarios that exceed sustainability and resilience efforts, creating responses to crises that leave the industry and its participants better than their pre-crisis state.

Of course, any business will always strive to continually improve and “be better” than before. Using regenerative design as inspiration, hospitality and tourism businesses might prioritize the following:

- Employees and human resources as the most valuable business asset;
- Fostering social networks to encourage employee, customer, and community well-being;
- Building and maintaining relationships with customers and stakeholders, which includes communicating effectively;
- Re-imagining and improving future service and operational delivery designs; and
- Creating and leveraging social networks for access to government support programs and other resources. Our research suggests that businesses with social ties to the community and other social networks bounce back better economically (Torres, Marshall, & Sydnor, 2019).

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The Impact of COVID-19 on Small Businesses: The Small Business Pulse Survey

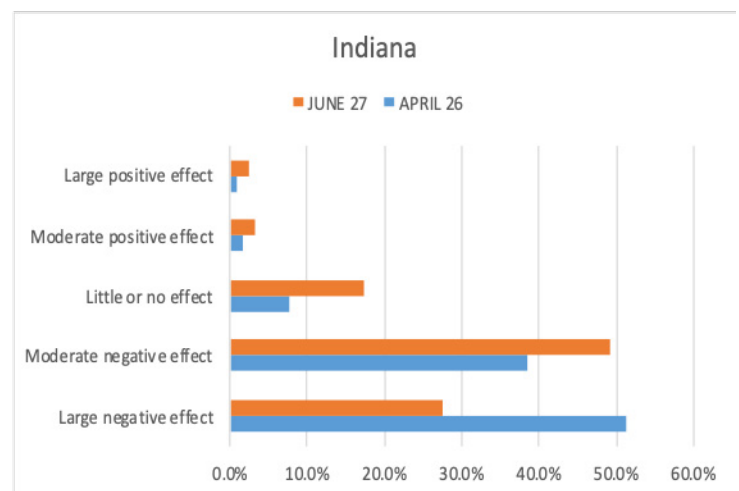
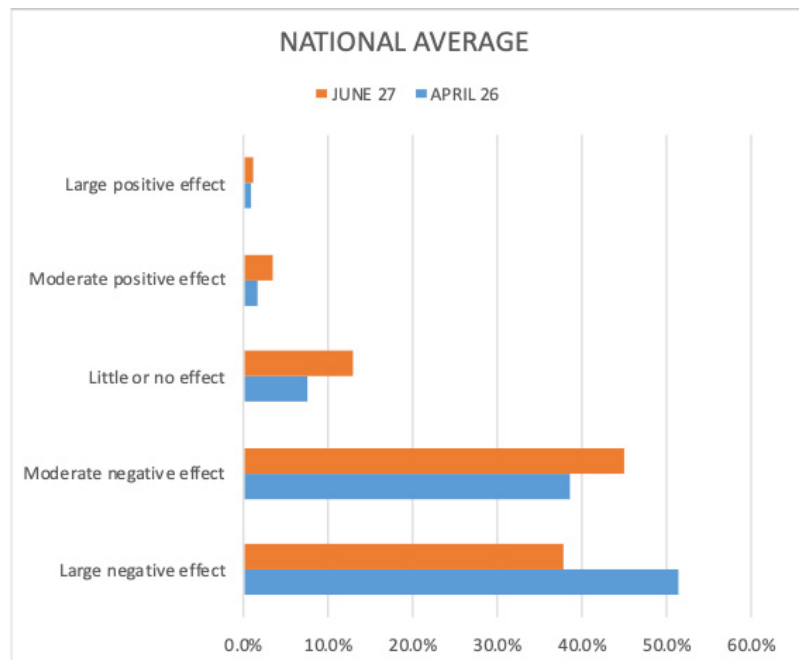
Maria I. Marshall

The coronavirus pandemic has had a devastating effect on the economy and small businesses in particular. The Census Bureau began taking the pulse of small businesses in late April (April 26th) and ended in late June (June 27th) (Bureau 2020). The small business pulse survey ([Business Pulse](#)) includes information about the impact of the coronavirus pandemic on small businesses by state, sector, and metropolitan area. Small businesses were defined as those with less than 500 employees and over \$1,000 in sales.

The figure (top right) shows the perceived overall impact for small businesses that responded to the small business pulse survey. In June, 37.7% of business respondents stated that they had been impacted by COVID-19. In April, 51.4% of business owners stated that COVID-19 had a large negative impact on their businesses. By June, that number had gone down to 37.7% of small businesses.

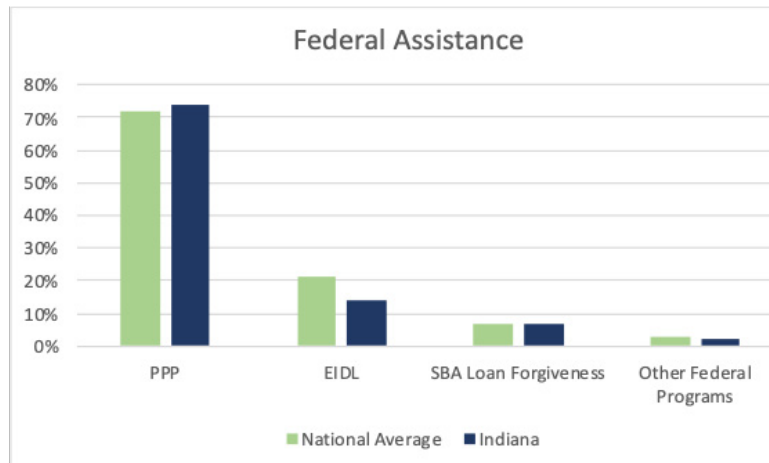
The response from Indiana small business owners (bottom right) was very similar to the national average. It is interesting to note that although fewer small businesses in Indiana felt large negative effects compared to the national average, the number of Indiana small businesses that were negatively affected from the pandemic was substantially higher.

The Coronavirus, Aid, Relief, and Economic Security (CARES) Act was signed on March 27th and contained \$376 billion in the first round of funding, of which \$349 billion was earmarked for the Paycheck Protection Program (PPP).



A second round of funding provided \$321 billion for PPP under the Paycheck Protection Program and Health Care Enhancement Act signed April 24th. This act also included \$50 billion for Emergency Injury Disaster Loans (EIDL) and \$10 billion for EIDL grants. According to the small business pulse survey, 72% of small business owners in the survey received PPP loans and 21% received EIDLs. Interestingly, 74% of Indiana small business owners that responded to the survey received PPP loans and 14% received EIDLs (see graph below).

These numbers may not be nationally representative of microbusiness (0-10 employees) and minority-owned businesses. These businesses usually have weak or in-existent ties to the banking sector, making it even more difficult to access federal assistance in April when these programs became available. However, federal assistance has and does play a big role in the survival and recovery of small businesses.



Special Research Edition

We hope that you enjoyed reading our inaugural special edition newsletter focused on family business research. All of the articles in this newsletter were composed by members of the NC1030 research group. This research group is comprised of researchers who are focused on sustainable families, firms and communities in times of change. [Click here to learn more about the group and their work.](#)

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