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Ripple effects on family firms from an externally induced crisis

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Abstract

Purpose – The purpose of this paper is to examine the experiences of family business owners in an externally induced crisis from a resource-based perspective.

Design/methodology/approach – The paper employs a qualitative case study approach involving 22 firms.

Findings – In the aftermath of the BP oil spill, a series of ripple effects impacted family firms both negatively and positively. The paper outlines five ways that family firms may improve company performance in crisis situations.

Research limitations/implications – Although our study is rich in qualitative detail, it is important to recognize that the BP oil spill represents a unique crisis context and caution should be exercised in generalizing the study's findings.

Practical implications – While ripple effects may be powerful at the industry and industry sub-group level, the paper provides evidence that family firms may overcome these external effects using one or more of five strategic initiatives: strong networking relationships, idiosyncratic local knowledge, flexibility, rapid response, and exercising trust with caution.

Originality/value – The study validates the potential utility of a ripple effect model in the study of family businesses and externally induced crises. It has the potential to contribute to improving management response.

Keywords Family business, Crisis management, Case study approach, Ripple effect

Paper type Research paper

Introduction

From the perspective of the resource-based view (RBV) of the firm (Barney, 1991; Habbershon and Williams, 1999), we examine the positive and negative effects of an externally induced crisis on family business owners. We study the resources and capabilities of family firms that led to their survival, profitability, and growth in this situation. Specifically, we study the ramifications of the BP oil spill on family business owners in the Acadian coastal parishes of Terrebonne and Lafourche in south central Louisiana. The parish seat of Terrebonne is Houma, population 33,727 in the 2010 US Census. Thibodaux, with an estimated population of 14,546, is the parish seat of Lafourche. These two parishes ranked third ($169,590,811 for Terrebonne) and sixth ($96,434,877 for Lafourche), respectively, in net dollar claims paid by BP as of February 6, 2012 (Gulf Coast Claims Facility, 2012). Considering the populations of Terrebonne (111,860 in 2010) and Lafourche (96,318 in 2010) (US Census Bureau, 2010), the per capita impact on these two parishes places them within the top five most-affected parishes in the state. Because Terrebonne and Lafourche Parish were directly affected by the oil spill and subsequent clean-up operations, we believe that these parishes are representative in important respects of the entire Gulf Coast region.

The Deepwater Horizon oil rig exploded on April 20, 2010, tragically killing eleven workers. As part of BP's Macondo project, the Deepwater Horizon was engaged in a drilling operation in about 5,000 feet of water that extended an additional 13,000 feet

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under the sea floor. At the time of the explosion, the rig was located 42 miles southeast of Venice, LA. The blowout preventer on the rig failed and crude oil began to gush into the Gulf. The rig burned for two days and then sank into the Gulf (Alford, 2010). The US Coast Guard estimated that a total of 14.9 million barrels (200 million gallons) flowed into the Gulf of Mexico during the entire crisis period (Glascott and Sever, 2011). Fishing operations were suspended immediately and within a month, one-third of the Gulf of Mexico was closed to fishing. President Obama offered to bring in all available resources including the US military, but held BP responsible for the cleanup. BP Chairman Tony Hayward said that the company would pay all legitimate claims involved in the cost of the cleanup. On April 30, 2010, the Obama administration placed a moratorium on deepwater drilling (Reuters, 2010).

On May 6, oil reached the Chandelier Islands off the coast of Louisiana and tar balls began to wash ashore in the Gulf States, reaching the beaches of Texas, Louisiana, Mississippi, Alabama, and Florida. It was clear that the spill was damaging the fragile ecosystem of the wetlands (Iglu Cruise, 2010). In June, as directed by President Obama, BP agreed to set up a $20 billion fund – the Gulf Coast Claims Facility Program (GCCF) – to handle damage claims from the oil spill. On August 4, BP announced that a "static kill" using a mixture of cement and mud was successful. On September 16, a relief well was completed. Cement was pumped in the next day, closing the leak permanently (Alford, 2010). A month later, on October 12, 2010, the Obama administration lifted the moratorium on drilling in the Gulf of Mexico, but restrictions remained and permits to drill were more difficult to obtain than before the spill. By the end of 2010, BP began to wind down its clean-up operation in the Gulf. In late October 2011, BP resumed drilling in the Gulf of Mexico.

This study is guided by the following research questions:

RQ1. What were the experiences of family business owners during BP oil spill crisis?

RQ2. How and why were family business owners affected either negatively or positively?

RQ3. In what ways were family firms able to leverage their "familiness" and/or manage their distinctive resources and capabilities to enhance organizational performance during the crisis?

In the following sections, we review relevant literature, explain our research methodology, report our findings, and propose five ways in which family businesses may be able to improve their performance in crisis situations. We conclude with a brief discussion of our findings and a number of suggestions for future research.

Literature review

Family firm distinctiveness

A family firm is a business organization controlled and/or managed by a single family or small number of families and in which firm activity reflects the vision, goals, and/or intentions of the focal family or families (Chua *et al.*, 1999). The overlap of business and family interests often requires managers and other organizational actors to juggle different roles. According to the Three-Circle Model of Family Business (Gersick *et al.*, 1997), the individuals may be placed in any of seven categories based on these different roles. An individual may be an owner only, a manager only, a family member only, or some combination of these. For example, an individual might be a manager, but not an owner or family member, while another individual might be all three.

Family firm leaders often personally identify with the business for their entire lives, and the failure of the firm may have serious personal as well as career implications. Family firm leaders are primarily accountable to themselves and their families, while the non-family managers are accountable to the stockholders of the corporation (Cater and Justis, 2009).

The RBV of the firm in family business

The RBV of the firm is a major theoretical platform in the field of strategic management (Barney, 1991; Penrose, 1959; Wernerfelt, 1984). The RBV suggests that organizational performance is linked to the possession and utilization of resources and capabilities that are valuable, rare, difficult to copy, and non-substitutable (Barney, 1991). Habbershon and Williams (1999) were among the first scholars to apply the RBV to family firms. They introduced the concept of "familiness," which they described as a unique bundle of resources derived from the interaction of family and business interests. It has been argued that "distinctive familiness" leads toward competitive advantage for family firms (Habbershon *et al.*, 2003), while "constrictive familiness" may stifle the growth of family firms (Craig and Lindsay, 2002; Sharma, 2008). Sirmon and Hitt (2003) emphasized the importance of managing resources effectively in family firms by evaluating, acquiring, and shedding them appropriately. Using social capital theory, Pearson *et al.* (2008) argue that the structural, cognitive, and relationship components of social capital provide the behavioral and social resources that constitute "familiness."

Family firm advantages

The family business literature has called attention to a number of potential sources of competitive advantages for family firms (Habbershon and Williams, 1999). For example, family firms may develop particularly strong connections with external stakeholders (Miller and Le Breton-Miller, 2005). Family business owners may think more creatively because they identify in a more personal way with the business (Pervin, 1997). Bjuggren and Sund (2001) suggest that family firms may develop idiosyncratic knowledge that improves performance. Family firms may be able to take advantage of more centralized and informal decision-making processes than non-family firms in which managers are constrained by more formal control systems (Daily and Dollinger, 1992; Morris *et al.*, 1997). Family firms have greater flexibility in decision making (Poza *et al.*, 1997). Decreased organizational politics and a closer relationship between ownership and management may allow family business leaders to make quick decisions when required (Ward, 1997). Because family businesses are often less bureaucratic, family business leaders may be free to make decisions more quickly in response to changes in their business environment (Dreux, 1990).

Trust has also been hypothesized to play a significant role in family businesses. Tagiuri and Davis (1996), for example, found that family members in a firm may develop greater trust and experience better communication because of shared identity, common history, emotional involvement, a private family language, and high levels of mutual awareness. Structural social capital, or the strength and density of social ties, may be greater than in non-family businesses (Pearson *et al.*, 2008). A greater degree of familiness may lead to the preservation of family ties and facilitate transgenerational value creation (Chrisman *et al.*, 2003). In many cases, managers of family businesses may be more likely to trust their employees rather than rely on formal written policies (Kelly *et al.*, 2000). Small family businesses may differentiate themselves from larger non-family rivals by establishing trust-based relationships with customers (Intihar and Pollack, 2012). In summary, family businesses are often known for trustworthiness (Ward and Aronoff, 1991).

Crisis management

According to researchers, a crisis is a low-probability situation with significant consequences for the organization, a high degree of uncertainty, and a sense of decision-making urgency (Hills, 1998; Pearson and Clair, 1998). Certainly, the BP oil spill resulted in a crisis for family firms in south Louisiana. The literature identifies three stages of the crisis management process: crisis prevention, response, and recovery (Hale *et al.*, 2005; Hills, 1998; Smith, 1990; Elliott *et al.*, 2005). Managers seek to prevent or minimize the probability of a crisis and, if prevention fails, minimize its negative impact. It is critical that managers recognize that all aspects of an organization are subject to external environmental shocks. In seeking to prevent external crises or mitigate their impact firms should identify processes for assessing and dealing with such events (Jackson and Schantz, 1993). Such processes could include appropriate information systems to scan and interpret critical events, and other efforts to develop decision-making capabilities and strategies to prevent or mitigate the impact (Kash and Darling, 1998).

Ripple effects

Although the BP oil spill was a man-made disaster, the damage from the oil spill was unintentional and was characterized by the same economic ripple effects often observed in the wake of natural disasters (see Figure 1). Ripple effects are defined as "a spreading, pervasive, and usually unintentional effect or influence" (*Merriam-Webster*, 2011) or "the repercussions of an event or situation experienced far beyond its immediate location" (Collins, 2012). Ripple effects have been noted in such diverse areas of study as labor performance and disruptions (Thomas and Oloufa, 1995), the transfer of moods among people in work groups (Barsade, 2002), and the maintenance of large-scale computer software systems (Yau *et al.*, 1978).

Methods

The objective of this study was to examine and derive lessons from the experiences of family firms in south Louisiana who were involved in or affected by the BP oil spill (Bansal and Corley, 2012). We employed a case study approach appropriate for addressing "how" and "why" questions (Eisenhardt, 1989). We relied primarily on interviews with involved participants (Howorth and Ali, 2001). Yin (2003, p. 13) defines a case study as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context." Case studies are often used in theory building (Lambrecht, 2005).

Eisenhardt (1989) and others (e.g. Patton and Applebaum, 2003) suggest that case study participants should be selected purposively rather than randomly. Qualitative researchers often seek to examine the complex interrelationships among elements in a particular case, and should be therefore select participants with the aim of developing theory, rather than testing it (Eisenhardt and Graebner, 2007).

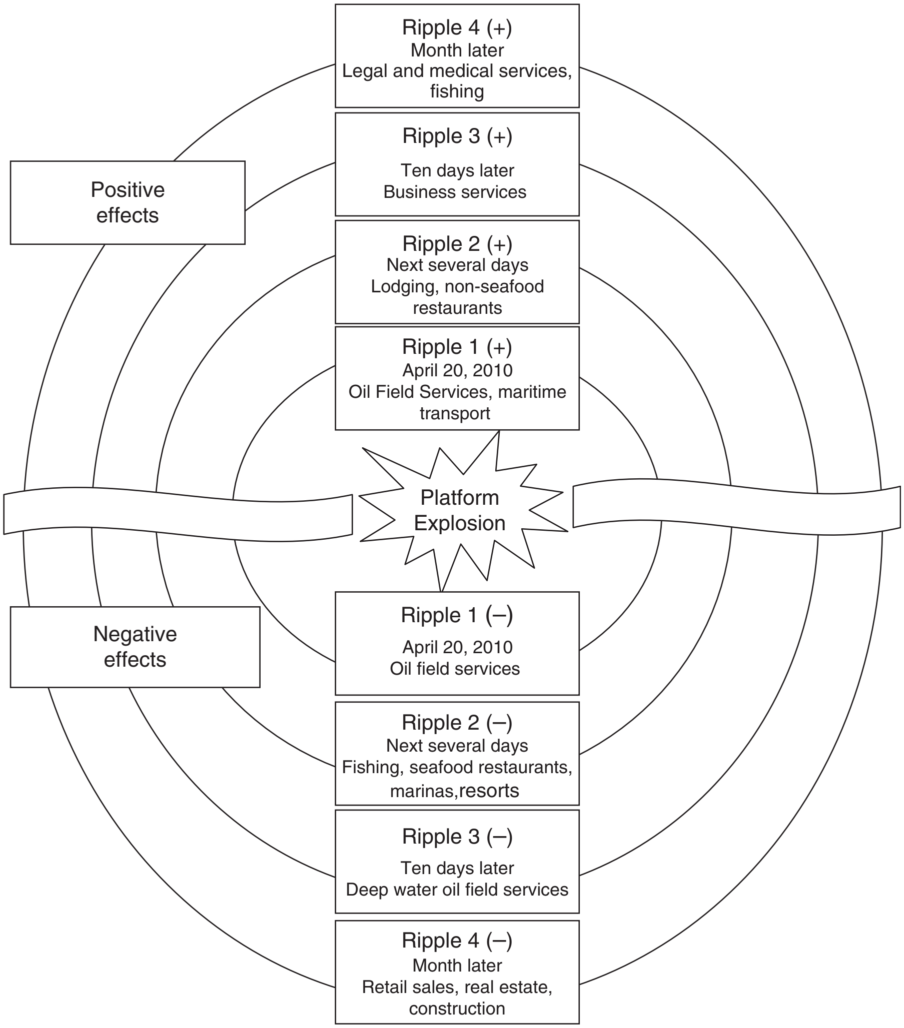

Figure 1.
Oil spill in the Gulf: ripple effects on small business owners in south Louisiana

Sampling strategies

In selecting the number of cases involved in a study, the researcher should continue adding cases until a saturation point is reached. Yin (2003) compared the addition of cases to the addition of experiments with the intent of achieving a sufficient degree of replication. Eisenhardt (1989) suggested that the researcher should continue adding cases in an iterative process until the incremental improvement is minimal.

Cases for this study

At the beginning of this project, formal permission was acquired from the lead author's university's Internal Review Board to conduct research using human subjects. According to the desires of the respondents, some of the names of people, places, and companies have been disguised. We received assistance in finding respondents from local business leaders, university colleagues, friends, acquaintances, and students.

The authors had no connection or involvement in any of the family firms contacted. For this study, the major criterion for selection was involvement with, or degree of impact from, the BP oil spill. This affect was reflected in significant revenue changes for respondent firms during the crisis. For example, some respondent firms reported 25-100 percent revenue increases, while others reported corresponding revenue decreases during the oil spill. As the study progressed, we felt that saturation was reached after gathering information from 22 firms. At this point, the information being gathered from firms was becoming redundant with respect to the primary research questions.

Respondent family firms

Respondent firms met Chua *et al.*'s (1999) definition of family businesses (as summarized in the literature review). Firms were drawn from the following industries: re oil field services, marine transport, lodging, restaurants, fishing, marinas, resorts, business services, legal and medical services, retail sales, real estate, and construction (see Figure 1). Businesses range in age from five to 100 years, and generations of family participation range from one to four. Each company involves from two to a dozen family members in management and ownership. The firms are all located primarily in Louisiana, but several have expanded beyond the local region.

Due to the number of cases involved, the data collection stretched over an 18-month period. Information on earlier cases was periodically updated through telephone conversations, e-mail, and news media articles. Interviews were conducted with 18 family member-owner-managers, one family member-owner, and seven non-family member-managers. See Table I for additional information on the respondents, including position in firm, company, size of company by number of employees, industry, and relation to BP during the oil spill crisis (e.g. direct contractor, service provider to direct contractors, or no contractual connection).

Data collection

We interviewed the top managers or owners of family businesses after verifying their involvement in the BP oil spill crisis. In these interviews, we asked open-ended questions concerning the oil spill and how the firm was involved and/or affected by it. The interviews were supplemented by observation of the participants and company documents.

Qualitative interviews. Interviews were tape recorded. We transcribed approximately 20 hours of interviews, which varied in length from 30 minutes to two hours, averaging 45 minutes each. The transcribed interviews totaled 210 pages, for an average of eight pages per respondent.

Data analysis

We followed accepted grounded theory procedures and established techniques in our data analysis (Strauss and Corbin, 1998; Chenail, 2009). Using NVivo 10, a software program designed to facilitate qualitative data analysis, we followed a four-step protocol (see, e.g. Dacin *et al.*, 2010). In the first step, terms and descriptions directly related to the respondents' involvement and participation in the oil spill crisis were identified. In most cases, the precise language used by the respondents to identify people, places, and events was retained. The first author then coded these expressions into 148 nodes (first-order categories), representing themes, people, places, events, or other areas of interest. Examples of first-order categories include "clean up beaches,"

Respondent	Position	Company	Size of Co.	Industry	Relation to BP during spill
Clarence Adams	Owner/Mgr.	Adams Shrimp	10	Fishing	Contractor
Mark Andollina	Owner/Mgr.	Cajun Bch. Resort	15	Resort	Contractor
Paula Badeaux	Owner/Mgr.	Badeaux Seafood	10	Restaurant	Local bus
Bobby Bergeron	Owner	Surbo Tubular	100	Oil field serv.	Serv. Provider
Juwayn Bogan	Owner/Mgr.	Jubogen Trucking	5	Trucking	Contractor
John Britton	Non-fam Mgr.	Pipe Works	25	Construction	Local bus
Ron Brooks	Owner/Mgr.	Patterson RE	15	Real Estate	Local bus
Paul Danos	Owner/Mgr.	Danos & Curole	900	Oil Field Serv.	Contractor
Sandy Dupre	Owner/Mgr.	Custom Cabinetry	20	Construction	Local bus.
Bill Foret	Non-fam Mgr.	Abdon Callais	430	Marine trans.	Contractor
David Gaffney	Non-fam/Mgr.	Off Shore Eng.	100	Oil Field Serv.	Contractor
Mike Glover	Owner/Mgr.	Coco Marina	40	Marina	Contractor
Chase Green	Non-fam/Mgr.	Off Shore Eng.	100	Oil Field Serv.	Contractor
Beau Guillory	Non-fam Mgr.	Whitco Supply	75	Oil Field Serv.	Contractor
Billy Guillot	Owner/Mgr.	Oil Services	20	Oil Field Serv.	Contractor
Keith Himmel	Owner/Mgr.	KEM Supply	8	Bus services	Contractor
Lindsay Mason	Non-fam Mgr.	Cristino Ristorante	30	Restaurant	Local bus
Daniel May	Owner/Mgr.	May Shrimp	20	Fishing	Local bus
Ken McGowan	Non-fam Mgr.	Cajun Lodging	42	Lodging	Serv. Provider
Brian Perque	Owner/Mgr.	Perque Flooring	15	Retail	Local bus
Josh Perque	Owner/Mgr.	Perque Flooring	15	Retail	Local bus
Lisa Perque	Owner/Mgr.	Perque Flooring	15	Retail	Local bus
Bret Roger	Owner/Mgr.	Spahr Seafood	30	Restaurant	Local bus
Gerry St. Germain	Owner/Mgr.	Pierre Part	100	Retail	Local bus
Ken St. Germain	Owner/Mgr.	Pierre Part	100	Retail	Local bus
Jon Stevens	Owner/Mgr.	Kajun Truck Plaza	25	Restaurant	Local bus

Table I. Respondent family firms

"flexible ferry service," and "long-term rigs leave." In the third step, we looked for links among the first-order categories and then collapsed them into more general categories (or clusters or second-order themes). Moving iteratively between the data and emerging categories, we identified 18 emergent themes. Examples of these themes include "moratorium" and "networking." In the fourth step of our analysis, we organized emergent themes into overarching dimensions or aggregate theoretical dimensions to aid in theory development. The first aggregate theme was oil spill operations; the second theme emphasized ripple effects; the third theme was related to indicators of negative firm performance, and finally, the fourth theme pointed to reasons for positive firm performance (see Table II). We also discussed our findings with our respondents to insure that our categories and conclusions made sense to those involved in the process.

Findings

We anticipated that the majority of cases in the study would be family business owners in south Louisiana that had suffered significant losses in the aftermath of the oil spill. Televised reports often highlighted instances of job losses and company failures. Although we did find situations in which family business owners had suffered financially, this was only a part of the story. As we interviewed respondents, we found that many family businesses had quietly prospered even in what many characterized as a catastrophic situation.

First-order categories (examples)	Emergent themes	Aggregate theoretical dimensions
Clean up beaches	Clean up	Oil spill operations
Seafood loss	Contamination	
Between oil companies	Cooperation	
Disposal of oil	Dispersants	
Business loss	Moratorium	
Dramatic increase	Regulation	
Vessels of opportunity	Skimming	
First response	Ripple 1	Ripple effects
Lodging sold out	Ripple 2	
Ten days after the spill	Ripple 3	
Seafood prices up	Ripple 4	
Rigs leave	Long term	
Industry contacts	Networking	Positive firm performance
Advising BP	Local knowledge	
Ferry service	Flexibility	
People talk to each other	Consumer confidence	Negative firm performance
Cannot shrimp any more	Job change	
No contract	Trust	

Table II.
Data structure

In Figure 1, we diagram a series of negative and positive ripple effects on family firms in south Louisiana. The diagram is not intended to be a comprehensive listing of all industries affected by the oil spill. It is a representative listing of major industries that suffered negative effects or were affected positively during the crisis period as reported by the study respondents. We also list approximate starting dates of each ripple.

In our study, we found a series of four ripple effects on the family businesses of south Louisiana. Crisis prevention efforts by BP and its partners on the Deepwater Horizon rig failed miserably, including the failure to comply with regulations (Runyan, 2006), and led to the explosion and resultant disaster. The first ripple effect occurred on April 20, 2010 with the explosion of the Deepwater Horizon rig, negatively affecting firms working directly on the rig, but positively affecting first respondent marine transportation and oil field service companies. BP's quick communication with respondent firms enabled a rapid crisis response (Kash and Darling, 1998; Mitrof *et al.*, 1996). The second ripple effect emanated negatively through the fishing industry and related services within the next few days, but had a positive impact on lodging and non-seafood restaurants. For example, Paula Badeaux, owner and manager of Badeaux Seafood Restaurant, was forced to close her business from May 2010 to April 2011 for two main reasons, she explained: "All the fishermen went to work for BP in the clean-up operation and I could not get any Louisiana seafood."

The third ripple effect began with the announcement of the moratorium on deepwater drilling on April 30, 2010 and had a negative impact throughout the oil field industry, but at the same time business service providers to BP experienced a spike in revenues. Keith Himmel, owner and general manager of KEM Office Supply, recalled: "It was May 3rd; I got a phone call from one of the buyers at the BP maintenance facility. The buyer said, 'We have completely lost control over all our office and computer products in and out of this building. We want you to set up a KEM Supply in here.' It was probably close to a minimum of doubling my business."

Approximately a month after the explosion of the Deepwater Horizon, the fourth ripple effect moved beyond the deeply impacted oil field, marine transportation, and fishing-related industries into the general economy of south Louisiana, negatively affecting real estate sales, construction, and retail activities, but augmenting legal and medical services and helping the seafood industry by increasing prices. Sandy Dupre, owner and operations manager of Custom Cabinetry, based in Houma, explained how the effects of the oil spill spread: "It didn't affect us immediately. Our customers work in the oil field and fishing industry. So, when the oil spill affected them, it affected us. The people who would have been purchasing stopped purchasing because their jobs were in jeopardy and their livelihoods were in jeopardy. So in 2010, our sales dropped by half a million dollars, 25 percent." Crisis recovery began with the closing of the leak and the completion of the relief well on September 16, 2010.

Long-term effects

Respondents believed that the environmental destruction caused by the oil spill would have lasting effects. There seemed to be a consensus that the greatest effects would be felt by the fishing, oil field, and related industries. Mike Glover of Coco Marina expressed his concerns in regard to seafood, "For the next five or ten years, people are going to be asking about the oil spill and Louisiana seafood. Is it safe? Can you catch the fish? Can you eat the fish? Everything is testing safe, but you don't hear about the good stuff in the media."

Billy Guillott, an oil field business owner, believed that the dispersants used by BP might harm seafood: "Next year and the year after, the shrimp business will be greatly affected because the nurturing and breeding grounds for the shrimp have been damaged by the oil spill. The dispersants (used by BP) will harm the shrimp breeding grounds."

The oil field industry suffered a series of shocks. Several respondents believed that the Obama administration's decision to impose a moratorium on deepwater drilling would have a lasting effect. According to Jon Stevens, owner of Kajun Truck Plaza, "The moratorium has officially ended, but the permitting process has been completely changed. So, many people don't understand or appreciate that the moratorium is over, but it's not 'over'. It's still a slow permitting process." Once the moratorium was put in place, some of the deepwater drilling rigs were removed from the Gulf of Mexico. Ron Brooks, owner of Patterson Real Estate stated, "Quite a few rigs have left. When they leave, they go for at least five years or until the market changes. It is quite an undertaking to move one of those rigs across the Caribbean." Before the oil spill in April 2010, there were 31 deepwater rigs in the Gulf of Mexico. In September 2011, there were only 25 rigs in the Gulf (Magill, 2012).

Perhaps the greatest harm anticipated by our respondents was effect of the crisis on the oil and gas exploration and drilling industry. According to Bill Foret, president of Abdon Callais:

> Right before the oil spill, our government was considering opening up the East Coast to oil and gas drilling operations so that our country would not be so dependent on foreign oil. There is a lot of oil and gas off of Florida and the Carolinas. There was also talk of operations in Alaska. Because of this spill, all of those plans stopped.

Despite the problems associated with the crisis, many of our respondents still held a hopeful level of optimism for the future. Bobby Bergeron, owner of Surbo Technologies explained, "I believe although tragic, the oil spill has increased safety in drilling, better quality control, and a deep awareness as to how the oil field should respect Mother Nature and the environment in extracting its resources for our daily use."

Propositions

The extent to which family firms leverage their familiness (Habbershon and Williams, 1999) and how they manage the distinctive resources and capabilities they possess (Sirmon and Hitt, 2003) may be magnified in a crisis situation, such as the BP oil spill. In such a crisis, what could family business leaders do to produce positive results for their companies? We now turn to our last research question: In what ways were family firms able to leverage their "familiness" (Habbershon and Williams, 1999) and/or manage their distinctive resources and capabilities (Sirmon and Hitt, 2003) to enhance organizational performance during the crisis?

Networking relationships

Sirmon and Hitt (2003) identify social capital – a construct they link to network ties, shared narratives, and trust – as an important resource that may differentiated family firms from non-family firms. Similarly, Miller and Le Breton-Miller (2005) recognized the importance of strong connections with external stakeholders. The importance of social capital and strong relationships with external stakeholders was immediately evident in our data. Billy Guillott of Gulf Services, Bill Foret of Abdon Callais, and Keith Himmel of KEM Office Supply each received telephone calls directly from BP that lead to lucrative business arrangements. Guillott and Foret have extensive networking contacts and solid reputations throughout the oil field and marine transportation industries. Guillottt explained, "My family has been in the oil field for a long time. We still have a lot of deals done on a handshake. I will work long hours for somebody I know that I can trust." Relationships within the south Louisiana community mean a great deal in the two closely related industries. For example, Bill Foret commented: "Donald Ayo, the president of Nicholls State University, was a very good friend of Mr. Otto Candies. Mr. Candies was a great man and he contributed a lot of money to Nicholls. Dr. Ayo learned from Mr. Candies that he needed an assistant personnel manager. That was how I moved from Nicholls into the marine transportation industry."

Through networking contacts and a good reputation, Keith Himmel created an opportunity for his company. He remarked, "We are an approved vender for BP. We've been an approved vender for about five years now." So, while it was a pleasant situation for Himmel when the call came through from BP on May 3, 2010 requesting his services, it was not a surprise. Rather, it was the result of hard work, diligence, and the fostering of a reputation for honesty and fair dealing. For family firms, personal issues and family issues may become intertwined with business issues (Morris *et al.*, 1997). In an externally induced crisis such as the oil spill, this intermixture may produce positive results. Therefore, we propose the following:

P1. In an externally induced crisis, strong networking relationships will lead to a competitive advantage, thereby enhancing family firm performance.

Local idiosyncratic knowledge

Simon and Hitt, and others (Bjuggren and Sund, 2001; Pervin, 1997) suggest that family firms may have a greater capacity to create and leverage idiosyncratic knowledge. Although BP was familiar with the Gulf region, they lacked intimate knowledge of the nuances of the area. For example, in Cocodrie, LA, a small village due south of Houma in Terrebonne parish, there is a natural outlet to the Gulf with several marinas that cater to sport fishing enthusiasts. BP approached Mike Glover, owner and president of Coco Marina, to establish a base of operations in Cocodrie. Coco Marina has a boat launch, parking area, small grocery store, restaurant, rooms for overnight accommodations, and provides boat captains for fishing in the Gulf. Mike Glover explained, "We were one of the 17 response sites, so we were the main response site for Terrebonne. We basically housed all the coastal operations for the Terrebonne parish, so we had upper level managers on down to clean up personnel. They did everything on our site, filling up boats, eating, sleeping, bringing new booms in and old booms out. We sold them food and did everything, really."

Once BP officials established their base at Coco Marina in early May, according to Mike Glover, "They came to me for advice, such as who to call for this or that and where do they get this or that. We were advising them or consulting them as to what business in the area can supply them with certain products and services. A lot of people from out of state don't know our water, so with our six captains they showed them how to get around in different conditions, calm and when it is rough." As this anecdote illustrates, in many cases family businesses were able to supply – and benefit from doing so – idiosyncratic knowledge of local people, customs, geography, and availability of goods and services. Therefore, we propose the following:

P2. In an externally induced crisis, extensive local idiosyncratic knowledge will lead to a competitive advantage, thereby enhancing family firm performance.

Firm flexibility

The decision-making process is often more informal in family firms than in their non-family counterparts (Daily and Dollinger, 1992). Decision making is also likely to be more centralized (Morris *et al.*, 1997) in family firms, and managers are likely to exhibit greater flexibility (Poza *et al.*, 1997). In our analysis it was evident that the crisis created by the oil spill created a situation in which family firms were able to leverage these aspects of their decision-making processes. For example at Coco Marina, Mike Glover was quickly able to transform the method of operation of the company's restaurant. He described the process:

> One of the hardest things was that we were a regular restaurant. On a busy night, we would see 200 to 300 people and turn over tables one, maybe two times. But it was all individual orders. For this (the oil spill), we had to serve at the high point 457 people in a two hour window. So, we literally had to reinvent the way we did our restaurant business, change our menu, and go from maintaining our quality, but also increasing our quantity and timeliness.

Keith Himmel of KEM Supply set up an entirely new operation to sell office products to the BP command center. Himmel explained:

> I observed for about five days what everybody wanted. We boiled it down to a certain kind of pens, a certain kind of paper, and a certain kind of diskettes and CDs. We had six rows of shelving that we kept stocked every day. So, the first couple of days were chaotic. Then we finally came up with a streamline way of doing it.

Paul Anderson of Cajun Tide Resort also changed his company's strategy to survive the oil spill crisis and contributed survivability capital (Sirmon and Hitt, 2003). Anderson described the situation as follows:

> We had people staying here who were working for BP. We didn't stay completely booked and we had a lot of cancelations (from regular customers). I worked directly on the oil spill with my boat. They hired me as a vessel of opportunity because I have a charter license and a twenty-five foot boat. We put boom out and picked bloom up and worked the oil spill. I personally worked for BP and I had to pay the bills for the hotel with my personal money to survive. We wouldn't have made it without that.

Family firm leaders may be able to better adapt to environmental shocks because they have greater flexibility compared to large public organizations. The managers of family firms, rather than report to thousands of shareholders, are often only accountable to themselves and their families (Cater and Justis, 2009). Therefore, we propose the following:

P3. In an externally induced crisis, flexibility will lead to a competitive advantage, thereby enhancing family firm performance.

Rapid response

Lack of organizational politics, the blending of management and ownership (Ward, 1997), and less bureaucracy (Dreux, 1990) may allow family business leaders to make quick decisions in crisis situations. Within a few hours of the explosion, marine transportation companies and oil field service companies received calls for assistance from BP. The family business response was swift and efficient in the chaotic aftermath of the explosion. Bill Foret, president of Abdon Callais Offshore recalled, "The night of the spill, BP did ask for us to send one of our boats, which was working for Shell, to look for survivors. We went to the location, but did not find any survivors." Billy Guillott, owner and president of two oil field service companies, also answered BP's calls: "At the beginning of the operation, I responded to a call from BP to come pick-up fifteen people who were stranded on a dock in Venice, LA. BP had failed to arrange for lodging for these people for the night. I came at 10:00PM from (Port) Fourchon with my vessel to give them a place to sleep overnight."

Beau Guillory, vice president of Whitco Supply, commented in regard to oil field services, "Response time is the number one thing; sometimes it is not about price at all." With millions of dollars of equipment in use and millions of dollars of oil and gas at stake, crisis response is a major opportunity. One of the greatest advantages of family firms compared to large organizations is an ability to respond rapidly to the environment. Family business owners may be closer to their customers and may be able to resolve problems more quickly (Intihar and Pollack, 2012). Therefore, we propose the following:

P4. In an externally induced crisis, rapid response will lead to a competitive advantage, thereby enhancing family firm performance.

Exercising trust with caution

Fostering better communication and mutual awareness among family firm members (Tagiuri and Davis, 1996), maintaining strong internal social ties (Pearson *et al.*, 2008), and preserving family ties between generations (Chrisman *et al.*, 2003) are ways in which family firm leaders exercise trust. In our analysis, however, it became apparent that although trust (and trustworthiness) often represented a valuable resource, in crisis situations an over reliance trust can be problematic. Many of the family firms in our sample that were involved with BP and the oil spill cleanup, for example, experienced difficulties because they exercised trust too freely. For example, Billy Guillott, owner of two oil field service businesses, assumed that BP would follow industry precedents. Guillott described his situation at the end of the oil spill clean-up operation:

> I needed to get my vessel back in the same condition it was in before the project started. In the oil field, there are precedents set. If in the course of a job, my equipment is damaged, the principal must pay to have my equipment repaired. One thing I learned from this deal is that I should have presented BP with a ten-page contract at the beginning outlining everything I wanted them to do to restore my vessel to its original condition after the operation was complete.

In contrast to Guillott's dilemma, Bill Foret of Abdon Callais described his handling of the issue, "We executed a contract with BP a few days after the spill and to make a long story short, we put nine vessels into service for BP." Family firm owners tend to use a more personal approach, such as trusting their employees and relying less on formal written policies (Kelly *et al.*, 2000), but there are times when this approach may prove costly. Family firm owners must exercise good judgment and caution in their reliance on trust-based relationships and in leveraging their trustworthiness. Therefore, we propose the following:

P5. In an externally induced crisis, exercising trust with caution will lead to a competitive advantage, thereby enhancing family firm performance.

Discussion

We undertook this project in order to better understand how family business owners in south Louisiana were affected by the BP oil spill, why they were affected positively or negatively, explore the ways in which family firms able to leverage their "familiness" and/or manage their distinctive resources and capabilities. As our research project progressed, we encountered multiple layers of economic shocks, and borrowing the language used by several respondents, we labeled these waves "ripple effects." For example, Keith Himmel of KEM Supply stated, "It was an awesome experience during the seven months we were involved. It was the ripple effects. Then, January 2011, the oil spigot was turned off."

Variation in ripple effects

The ripple effects of the BP oil spill on family businesses in south Louisiana varied by industry, industry segment, and by firm. One of the most interesting findings was that sub-groups of firms within the same industry experienced opposing effects. For instance, in the hotel industry, we found two sub-groups: lodging or business hotels and resort hotels within Terrebonne Parish. Lodging hotels (Cajun Lodging) were sold out for six to nine months as they accommodated the influx of oil field and related industry workers. Resort hotels (Cajun Tide, Coco Marina) that serviced vacationers suffered a series of cancellations and loss of revenue. Seafood restaurants suffered tremendous losses due to the lack of shrimp, oysters, etc. (Badeaux's, Spahr's), while some upscale restaurants (Cristiano's) or strategically located truck-stop restaurants

(Kajun Truck Plaza) prospered. Some family firms were able to adapt to the negative ripple effects (Cajun Tide, Coco Marina), while others suffered serious losses and closed down (Badeaux's).

Masked effects

When we began the project, we expected to find a series of devastated family business owners who had suffered economic losses. When we examined Terrebonne Parish economic data for 2009, 2010, and 2011, however, we found no indication of a significant economic downturn (Brooks, 2012). Sales tax revenue, unemployment rates, bankruptcy, and foreclosures for Terrebonne Parish show no statistically significant trends during the three-year period. We believe that the losses reported by our respondents may have been offset by the incoming money from BP. Terrebonne parish residents and businesses had received $169,590,811 in net dollar claims paid by BP as of February 6, 2012 (Gulf Coast Claims Facility, 2012). We conjecture that during the oil spill crisis in the Acadian parishes of Lafourche and Terrebonne, positive and negative effects balanced each other out so that no region wide or aggregate economic effects were discernible.

Contribution to the study of family firms

Our examination of the ripple effects of the oil spill crisis contributes to the study of crisis management in family business studies. Although there are several studies devoted to improving family firm performance (Anderson and Reeb, 2003; Dibrell and Craig, 2006; Morris *et al.*, 1997; Sciascia and Mazzola, 2008), these studies are primarily concerned with improving internal dynamics and management within the firm. There are relatively few studies of family firm management in crises situations that focus on improving management responses (Cater and Schwab, 2008).

Our findings show that a ripple effect model (Thomas and Oloufa, 1995; Barsade, 2002; Yau *et al.*, 1978) can be beneficially applied in the context of family business crisis management. In externally induced crises, family businesses may be impacted in a series of shocks or ripples, which may have both positive and negative economic impacts. Our findings reveal ripple effects at the industry level, at the industry sub-group level, and at the firm level. Furthermore, while ripple effects may impact family firms at the industry and industry sub-group level (Cater and Schwab, 2008), our analysis suggests that family firms can benefit from leveraging strong network relationships, deploying idiosyncratic local knowledge, using flexible decision-making processes to their advantage, responding rapidly, and exercising trust with caution.

Conclusion

Our study focussed on the ripple effects of the BP oil spill on family firms in south Louisiana. By many accounts, Louisiana was the most affected of the Gulf Coast states due to the state's proximity to the Deepwater Horizon rig and geographic dispersion of spilled oil. Terrebonne and Lafourche parishes were at the center of the crisis and we limited our study to this centrally impacted area. We intended it to provide a representative, as opposed to a comprehensive, picture of the events following the oil spill. We invite larger scale studies covering a greater geographic area. We also invite future studies that issues related to family businesses and crisis management. Studies of non-family firms in externally induced crises may also prove fruitful for future researchers. Social implications, stakeholder perspectives, and their relation to family businesses could also be considered.

We examined four ripples of positive and negative economic effects on family businesses in south Louisiana. We told their story using 22 in-depth qualitative case studies as the crisis spread throughout the economy of the area. We extrapolated our findings beyond the scope of the geographic area and have described insights that may aid family firms in similar crisis situations. Finally, we hope our focus on the topic of family businesses and crisis management serves to highlight the need for additional research.

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