

Chapter 9

Family Involvement and Financial Performance of Moroccan Listed Firms: The Moderating Role of the Covid-19 Crisis

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ABSTRACT

The purpose of this book chapter is to examine the impact of family involvement on the financial performance of Moroccan listed firms, with a particular focus on the moderating role of the COVID-19 crisis. Using panel data analysis, the findings reveal that family ownership negatively affects financial performance. However, family management and family board representation do not exhibit a significant direct impact. The study also documents that the COVID-19 crisis had a detrimental effect on firms' financial outcomes. Nevertheless, there is no evidence to suggest that the crisis moderated the negative influence of family involvement. Interestingly, family management and family board representation appear to mitigate the adverse effects of the crisis on financial performance. This study contributes to the literature

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by offering new insights into family firm dynamics during crisis circumstances and provides practical implications for policymakers, consultants, and family business managers.

1. INTRODUCTION

During the last years, there has been growing scholarly interest in understanding the role of the family involvement in ownership, management and governance, as research has explored its implications for strategic management (Comino-Jurado *et al.*, 2021), innovation (Tan *et al.*, 2021), and financial performance (Poutziouris *et al.*, 2015; Zattoni *et al.*, 2015). Among several areas, financial performance has been particularly contentious, with empirical studies providing conflicting results on whether family involvement enhances or diminishes a firm's financial outcomes (Minichilli *et al.*, 2016; Miroshnychenko *et al.*, 2024). A first perspective suggests that family firms benefit from long-term strategic orientations and a commitment to resource stewardship, resulting in superior financial performance. In contrast, another perspective highlights potential drawbacks, such as overly conservative financial behavior and emotional decision-making, which may limit growth opportunities. This ambiguity is further compounded by the limited understanding of how family involvement influences financial performance during periods of economic downturns, where the pressures on firms differ significantly from normal economic conditions.

This book chapter seeks to address this research gap by empirically examining the influence of family involvement in ownership, management and governance on financial performance during the COVID-19 pandemic crisis. Grounded in the behavioral approach and socioemotional wealth (SEW) theory, this study explores how family shareholders and their roles in management and governance affect firm outcomes during distress and crisis conditions. The socioemotional wealth framework posits that family firms pursue not only economic objectives, but also non-economic goals that fulfill the family's affective needs. These goals often include maintaining family control and influence, fostering family harmony, and preserving the family's legacy (Gómez-Mejía *et al.*, 2007). These non-economic considerations typically result in a risk-averse approach, where family firms may forgo potential economic gains to preserve their socioemotional wealth.

As highlighted by Berrone *et al.* (2012), family firms tend to exhibit low economic risk aversion but are highly sensitive to risks that could threaten their socioemotional wealth. This heightened sensitivity often results in trade-offs, where family-centered goals take precedence over financial and economic considerations. For instance, family firms are likely to prioritize maintaining their independence rather than

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