Financial Behaviour of Lebanese Family Firms During Political Crises

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Abstract During the last decade, Lebanese family firms have been experiencing many challenges related to two waves of political crises. The internal wave was after the assassination of PM Rafic Hariri and dated from 2005 till 2010. The external one began in 2011 due to the tension of the Syrian civil war. Based on 154 pairs of family and nonfamily firms, this study has the aim to explore the impact of both internal and external political troubles on financial dimensions (financial performance, capital structure and investment strategy) of Lebanese family firms.

The results reveal that Lebanese family firms have a higher financial resistance than their counterparts. They outperform their nonfamily counterparts during internal and external political crises. They use debts, with more preference for long-term loans, to maintain their control over their business and preserve a dynamic investment strategy even in periods of internal and external political troubles.

Keywords Family firms • Political crisis • Performance • Financial behaviour • Financial structure

1 Introduction

Before the 1970s, the Lebanese economic situation was similar to that of Southern Europe (Plamondon 2004), and the country was the principal trading centre for the Middle East region until the civil war which lasted 15 years and seriously damaged Lebanon's infrastructure. By the end of the war, Lebanon's economic growth was relying on tourism and banking sectors. After September 11, 2001, Lebanon was also regarded as a safe place for bank deposits among other countries in the Arab region due to its banking prosperity and secrecy. Unfortunately, this positive atmosphere was not able to be maintained for very long.

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Since 2005, in the year of PM Rafic Hariri's assassination, Lebanon has been experiencing its worst political crisis due to both internal and external factors. Internally, Lebanon is suffering from a high division level due to the existence of 18 religions and ethnics in which each religion has a specific vision concerning the future of the country. Considering the external factors, they can be explained by Lebanon's location in the centre of several interconnected regional and international conflict configurations, particularly between Syrian and Israeli borders. For this reason, Lebanon remains critically exposed to the vicissitudes of much larger developments and interests which it cannot control. During and after this long period of crisis, the family firms in Lebanon have survived by relying on their family unit. They have been presenting better performance and potentially superior governance structure compared to their nonfamily counterparts (El-Chaarani 2014).[1] Due to their continuous activities, and despite the unsuitable framework, researchers have an exclusive opportunity to identify, understand and analyse how Lebanese family firms were able to absorb all these political shocks.

Therefore, the objective of the study is to explore a new dimension of family firms during crisis by addressing the following question: How and in what ways were the Lebanese family firms able to leverage their "familiness" and/or manage their distinctive resources and capabilities, to enhance stability and organizational performance during Lebanese political crises experienced in the last decade?

This research makes significant contributions to scholarship and professionals by addressing important aspects associated with family firms during political crises period. It provides knowledge that can be applied and implemented by founders, family and nonfamily managers in family firms and by experts or consultants. Also, it aims to respond to the call for more in-depth research into institutions behind family ownership and control (Peng et al. 2008), and it gives more comprehension about family firms working during government political crisis. To attempt the study objective, the following research will be divided into five principal parts, an overview of the different Lebanese political crises during the last decade: (1), the Lebanese family firm challenges during political crises (2), the financial specificities of the family firms (3), the research design and data description (4) and finally the empirical findings (5).

[1]They constitute 75% of the private sector in Lebanon, provide 85% of jobs and are the principal engine that drives the socioeconomic growth and wealth creation (El-Chaarani 2014). Many examples can be provided to explore the family firm contributions: "Gemayel Frères S.A.L", established in 1929, is actually one of the pioneered Lebanese family firms in the cardboard industry. The company restarted its activity after being twice bombed in 1978 and 1984. "Hayek Group S.A.R.L", established as a family business in 1951, survived through the ongoing domestic political conflict and regional instability and continued its activity in providing professional engineering and construction services for 64 years.

2 Overview of the Lebanese Political Crises During the Last Decade

Political unpredictability is regarded by economists as the most serious problem for economic growth in Lebanon. It leads to an increase in the volatility of the financial situation, and it decreases the investment level and can thus negatively affect the operational activity of all Lebanese firms, including Lebanese family firms. After the Lebanese civil war (1975–1990), the Lebanese financial situation was stable until mid-February 2005, the day of PM Rafic Hariri's assassination.

2.1 The Development of the Lebanese Situation: A Mid-place Between Internal and External Crises

In 2005, after the murder of former PM Rafic Hariri, the Lebanese situation quickly deteriorated and triggered other assassinations and car bombs. From that moment on, Lebanon's political actors and population were divided into two blocs, those opposed to Syrian stewardship "14th March" and those in favour of it "8th March".[2] In 2006, the "July war", between Israel and Hezbollah,[3] increased tensions and caused a huge blow to the Lebanese economy.[4] Between 2007 and 2008, Lebanon experienced another wave of violence. The political crisis deepened and the violence took on communal overtones. In 2007, heavy fighting broke out between the Lebanese Army and a new militia group calling itself "Fatah al-Islam" based in "Nahr el-Bared", a Palestinian refugee camp in the north of Lebanon. In the same year, car bombs killed two members of the Lebanese Parliament. Since 2009, the internal tensions between political Lebanese counterparties have decreased, with the absence of a clear consensus and continuous waves of political assassinations,

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[2]The impact of PM Hariri's murder was very heavy on Beirut Stock Exchange "BSE". The Market Stock Capitalization Index (MSCI)—Lebanon index—dropped 25%. The investors' confidence over the Lebanese market was reduced. An economic slowdown was detected. Fears from a second civil war led to significant conversions from Lebanese pound deposits to foreign currency deposits followed by a decline of foreign currency reserves (Report of Ministry of Finance 2010). Hence, it is not surprising to know that Lebanon GDP growth was zero in the first quarter of 2005 and attained only 2.7% by the end of the year (*The Daily Star*2005).

[3]Hezbollah is a powerful political and military Shiite Muslim organization, founded in 1982, in opposition to Israel's occupation of South Lebanon. It is directly linked to Iran in its origins, ideology and financial resources.

[4]After 33 days of war, Lebanon suffered a devastating blow to its infrastructure, lost more than 1200 civilians (Harbom and Wallensteen 2007) and recorded more than 15,000 destroyed homes. The war had cost the Lebanese economy approximately 12 billion dollars (*The Economist* 2006). The GDP growth dropped to 1.6%. The inflation increased from 2% in 2005 to approximately 5% in 2006 ("Poverty reduction and Economic Management Unit - Middle East and North Africa Region", World Bank Report, 2014).

terrorist attacks and car bombs. The GDP growth revealed the volatility of the economic situation between 2009 and 2011. Its value had shown a continuous decrease, from 10.3% in 2009, to 8% in 2010, till to 2% in 2011. During 2012, the Lebanese business environment had been affected again, with a registered high demand for the dollar and an increasing in the mid-price of exchange rate of the Lebanese pound against the American dollar.

The principal external factor that has influenced the Lebanese political crisis is the Syrian civil war. Lebanon was dancing on a volcano and was considered one of the riskiest countries in the Middle East and North Africa (AMB Country Risk Report 2013). The Syrian civil war results have been catastrophic on the economic, social and political levels. In 2014, the United Nations High Commissioner for Refugees registered that the number of Syrian refugees was over 1.4 million. Due to this huge number, Lebanon is currently suffering from the increasing unemployment rate—particularly among the youth (34%).[5] It is shown that Lebanese pure internal conflicts are still considered to be the principal hindrance to reform plans, and instability is still dominant. It appears that Lebanon is still stuck in the midst of a daunting political crisis.

2.2 *Quantitative Analyses of the Lebanese Political Crises*

Ever since the assassination of the Lebanese PM Rafic Hariri on February 14, 2005, Lebanon has been facing many political crises (see Appendix) varying between three types of classification: the first one is bombings, assassinations and violence; the second one is war; and the third one is governance crisis (Table 1).

In total, Lebanon had 114 troubles based on 84 bombings, assassinations and violence, 2 wars and 28 governance crises. Regarding the source of these political incidents, whether it is related to internal or external factors, the instability of the Lebanese political situation was derived from 66 internal political troubles and 48 external (Table 2). From 2005 till 2010, 53 internal political incidents were detected. After 2010, the tension of the internal political troubles decreased with a maximum of four incidents per year (Table 2, Fig. 1).

Between 2011 and 2015, the tension of external factors has increased with the spill over of Syrian civil war on the Lebanese stability. During these 5 years, Lebanon has supported 47 political troubles rising from external factors (Table 2, Fig. 2), especially the Syrian civil war. Based on this analysis, the Lebanese political crisis over the last decade has been characterized by two different phases with a cut-off in year 2010[6] (Fig. 3).

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[5]In 2013, the real GDP growth was estimated to have grown only 0.9%. This rate was lower than the 1.6% recorded in 2006, the “July war” year and the worst performance since 1999.

[6]Before 2010, the Lebanese political crisis was not influenced by any external factor. The total number was zero. After 2010, the external factors appeared and the number of factors became six during 2011.

Table 1 Statistics about political crises in Lebanon (2005–2015)

	Bombings, assassinations and violence	War	Governance crisis	Total
2005	14	0	2	16
2006	4	1	2	7
2007	10	1	3	14
2008	8	0	3	11
2009	2	0	0	2
2010	3	0	1	4
2011	6	0	4	10
2012	2	0	5	7
2013	8	0	4	12
2014	19	0	3	22
2015	8	0	1	9
Total	84	2	28	114

Table 2 Internal and external crises per year (2005–2015)

Internal	Year	External
16	2005	0
6	2006	1
14	2007	0
11	2008	0
2	2009	0
4	2010	0
4	2011	6
1	2012	6
3	2013	9
4	2014	18
1	2015	8
66	Total	48

During the first phase, which extends from 2005 till 2010, Lebanon was mainly influenced by internal political crises. While during the second phase, which ranges from 2011 till 2015, the Lebanese political instability was triggered by external crises.

3 Lebanese Family Firms Challenges During Political Crises

Crisis is “a turning point in the course of anything, uncertain time or state of affairs; moment of great danger or difficulty” (Longman 1978), which cannot be analysed and evaluated by economic analyses alone (Bodmer and Vaughan 2009). Financial or political crisis may give rise to a low-probability situation with significant

Fig. 1 Number of internal crises between 2005–2015

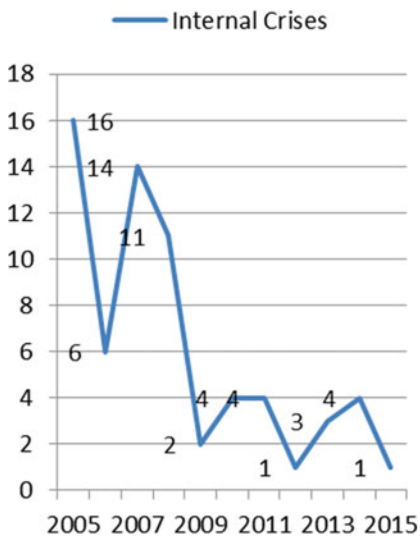
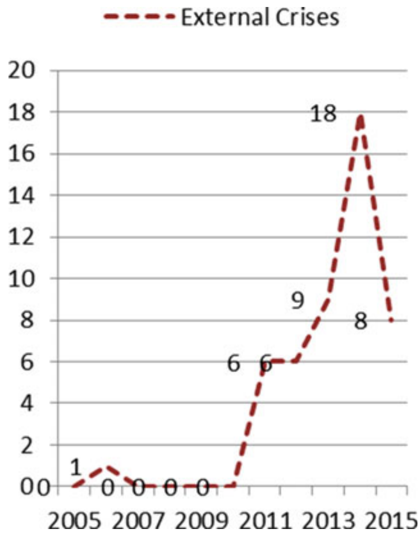


Fig. 2 Number of external crises between 2005–2015



consequences for the organization, a high degree of uncertainty and a sense of decision-making urgency (Pearson and Clair 1998).[7] It is believed that Lebanese family businesses, rather than being a money-generating activity or market-driven

[7]According to literature, the process of crisis management is characterized by three stages: crisis prevention, response and recovery (Hale et al. 2005; Elliott et al. 2005). If prevention crisis failed, managers seek to minimize its negative impact by putting more effort to develop decision-making capabilities and strategies (Kash and Darling 1998).

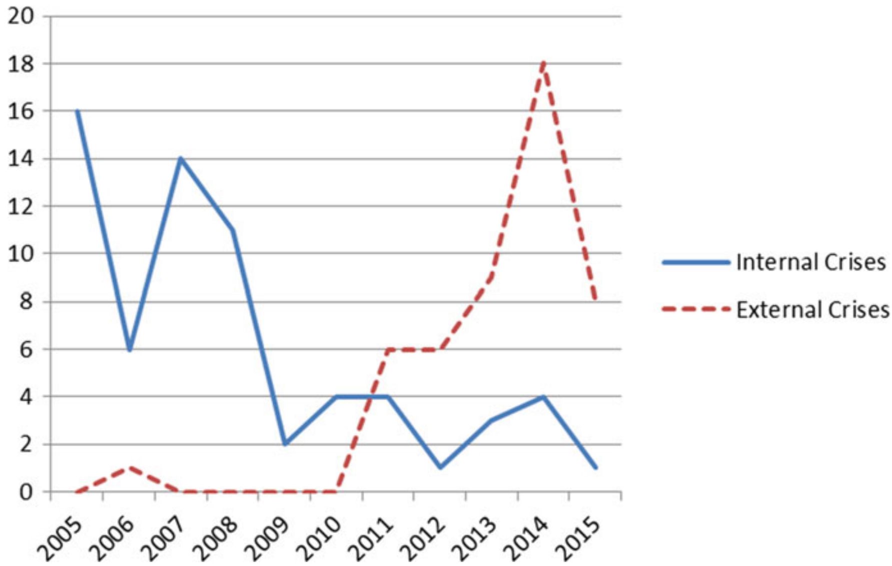


Fig. 3 Number of internal and external crises between 2005–2015

pursuit, are a way to increase a family's social standing (Fahed-Sreih and Djoundourian 2006, p. 206). They tend to exhibit perseverance despite the turmoil of any political crisis. They can survive in a crisis period, but they should have a detailed plan of action for the types of crisis that may occur because crisis recognition and management are not routine activities for family firms (Bodmer and Vaughan 2009). Consequently, thinking about how pioneer Lebanese family firms are managing the political crisis and the instability of the country can be considered an important contribution to literature.

3.1 The Bright Side of Family Firms

Family firms can survive during crises if the entrepreneur's decision-making has been improved by considering the interests of the family and other stakeholders at the early stage of a crisis (Bodmer and Vaughan 2009). With the power of family control, regulating committees like supervisory boards has an important role because it helps to mitigate crises by increasing the communication level with different stakeholders. During a period of environmental uncertainty, the family and business systems reinforce each other and strengthen the business for the benefit of all parties involved (Sirmon et al. 2008; Corbetta and Salvato 2004a; Anderson and Reeb 2003). Family firms can achieve their success due to their long-term orientation and their "familiness" (Habbershon and Williams 1999; Chrisman et al. 2003). They "invest for the future or undertake initiatives with significant short-term costs", even during crisis (Miller and Le Breton-Miller 2006, p. 78). The absolute leadership and decision-making control afforded to a CEO-chair in family firms help to favourably position the business and ease its course during times of economic difficulties, particularly in recession time. What is good for the family may also be good for other stakeholders (Braun and Latham 2009).

Family firms place more weight on family and social ties, loyalty, trust and stability, which can increase goal congruence in crisis period (Corbetta and Salvato 2004b). However, the presence of a large block-holder in family firm can reduce opportunistic behaviours and enhance family firm's performance. Bloch et al. (2012) revealed that founding-family firms outperform during financial and economic shocks. Focusing on the Japanese case, Amann and Jaussaud (2012) argued that family firms achieve stronger resilience both during and after an economic crisis compared with nonfamily firms.[8] Relying on the Belgian case, Bauweraerts and Colot (2013) shed a new light on the performance of 108 pairs of large family and nonfamily firms during global crisis in 2008. They showed that family firms developed idiosyncrasies that made them more resilient than nonfamily firms.[9] Recently, Cater and Beal (2014) have validated the potential utility of a ripple effect model in providing evidence that family firms overcome external induced crisis using one or more of five strategic initiatives: strong networking relationships, idiosyncratic local knowledge, flexibility, rapid response and exercising trust with caution.

By referring to the Lebanese case, family firms had faced very critical moments over the last decade. However, and despite all the negative consequences driven from internal and external political crises, Lebanese family firms have demonstrated the ability to adapt to unstable environment. They have continued playing their economic role, by reducing the unemployment, and thus, influencing the diminution of the poverty level, reducing the Lebanese importations and increasing the Lebanese exportations. Family firms in Lebanon exhibit characteristics that bode well not only for their longevity and growth but also for the wealth and stability of the country (Fahed-Sreih et al. 2010). These findings were also

[8]Based on a sample of 98 pairs of family and nonfamily Japanese companies, they found that family firms resist the downturn better, recover faster and continue exhibiting higher performance and stronger financial structures during and after an economic crisis. Therefore, family businesses were able to recover better or more easily during economic downturn and persisted in their stronger performance.

[9]Their results suggest that family firms had strong indicators of resilience that took place when a firm showed absorption and renewal capacities. "Absorption capacity" implies that family firms have higher levels of self-funding. They accumulate more resources than their peers, and thus they have a stronger capacity to absorb shocks such as a financial downturn. "Renewal capacity" indicates that innovativeness makes the family firm more able to deal with changes induced by a crisis by having higher investment rates and adopting a proactive strategy regarding their innovation process. However, authors could not conclude that large family firms under- or outperformed their nonfamily peers during crisis due to insignificant outperformance of family firms.

supported by the study of Pistrui et al. (2006), which showed that the family plays a central role in venture development within severe socioeconomic chaos.[10]

3.2 The Dark Side of Family Firms

While several arguments from stewardship, agency or resource-based theories indicate that family firms outperform nonfamily firms in crisis period, some evidence showed different logic of thought. Lins et al. (2013) were the first to discover that family firms underperform significantly during crisis.[11] Young et al. (2008) also revealed that tension of conflict in family firms may heighten during economic crisis.[12] Recently, Huang et al. (2014) focused on family firms during political crisis. Their study showed that family firms or firms with high growth opportunities experienced larger declines in their stock prices and a longer sequential period of decline. Some empirical evidence about the Lebanese family firms supported those undesirable consequences. During 2012, the activity of Lebanese family firms was negatively affected especially in the real estate sector. According to Bank Audi Research, the activities in the Lebanese real estate sector slowed down in 2012 due to the ongoing domestic political trouble and regional instability.[13] Moreover, the violent spill over from neighbouring Syria led to a decline of the medical tourism in Lebanon.[14] Finally, all the Lebanese trading operations supported the consequences of Syrian security problems. Until 2015, the disruptions had impeded and delayed the implementation of economic and administrative reform strategies.

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[10] This positive role was valorized in 2013 by *Forbes* magazine with 17 Lebanese family firms placed between the 100 top companies that were making an impact in the Arab world. Lebanon had the third highest number of companies on the list behind the United Arab Emirates with 41 firms and Saudi Arabia with 23 companies.

[11] Based on a sample of more than 8500 firms from 35 countries, they found that investment cuts decisions in family firms are more frequent relative to other firms and are associated with greater underperformance. For the authors, family firms act more conservatively during crisis.

[12] They focused on the severity of principal-principal conflicts, which referred to conflicts between controlling shareholders and minority shareholders. Indeed, in public family firms where the founder is no longer involved, minority shareholders were expropriated by family shareholders who intended to maximize their personal wealth during disturbances period. The principal-principal conflict is thus more likely to occur in these situations and lead to an underperformance of family firms (Lemmon and Lins 2003; Lins et al. 2013).

[13] For the CEO of the family firm "Hayek Group", "... the total value of real estate transactions growth decreased in January–April period, from 6.7% in 2011 to 4% in 2012. These percentages were very low in comparison with the 32% annual growth which has been recorded since 2005".

[14] For Dr. Cherfan, General Manager of the family group "Beirut Eye Specialist Hospital", "the situation is not very good and the figures are dropping. If tourists are not spending money and there is less money moving around the country, even the locals are going to begin spending less money. If potential patients can postpone their treatment, they will do so unless it is a serious problem". For more information about the interview with Dr. Cherfan: http://www.macropolis.net/lebanon-interviews/page-5.htm

4 Financial Specificities of Family Firms

According to Allouche et al. (2008, p. 2), "in most countries in the world, family businesses account for a major share of business, employ a significant portion of total employees and record significant amounts of turnover, added value, investments, and accumulated capital".

Numerous research revealed differences between family and nonfamily firms in terms of financial performance, investment strategies and capital structure (Kurashina 2003; Anderson and Reeb 2003; Allouche et al. 2008; El-Abiad 2009; El-Chaarani 2009, 2013; Gomez-Mejia et al. 2010). However, only a few research have explored these differences between family and nonfamily firms in critical situations. In the next development, we provide an overview of the broadly international accepted results that tend to illustrate the financial tendency of family firms during stability (Sect. 4.1) and throughout crises such as political ones (Sect. 4.2).

4.1 Financial Behaviour During Stability

Relying on agency theory (Berle and Means 1932; Jensen and Meckling 1976; Fama and Jensen 1983), family firms outperform nonfamily firms because they support less agency costs by minimizing the separation between management and ownership (El-Abiad 2009; El-Chaarani 2009, 2013). Many international empirical investigations have generally confirmed the superior performance of family firms (Monsen et al. 1968; Gallo and Vilaseca 1996; Anderson and Reeb 2003; Lee 2006; Maury 2006; Miller and Le Breton-Miller 2006; Villalonga and Amit 2006; Allouche et al. 2008; El-Abiad 2009; El-Chaarani 2009, 2013).

Based on stewardship theory (Davis et al. 1997; Miller and Le Breton-Miller 2009), the outperformance of family firms is due to the long-term orientation of family members.[15] Another explanation is provided by the neo-institutional perspective, where the performance of a family firm is viewed as a result of a set of values such as altruism (Van den Berghe and Carchon 2003) and trust (Chami 2001). Finally, family firms can find additional resources based on the "familiness" concept (Habbershon and Williams 1999). The intricate connections in family businesses can lead to increase efficiency and strengthen the potential competitive advantage of the firm.

[15] For Miller and Le Breton-Miller (2009), there are three types of stewardships. Firstly, they explained the stewardship over continuity by the desire of family members to guarantee the longevity of the company. Secondly, they considered that stewardship over employees means that family firms are interested in having a long-term relation with their employees. Thirdly, they regarded stewardship over customers as a main factor for the survival and the prosperous relation between family firms and their customers.

For other financial researchers, the outperformance of family firms is due to their investment strategies. For Abdellatif et al. (2010), the family firm's owners search to preserve their socioeconomic emotional wealth by avoiding diversification strategies, even if it confers some risk protection. Gomez-Mejia et al. (2010) suggest that on average family firms prefer to a lesser degree than nonfamily firms both domestic and international diversification. When diversification arises, family firms tend to opt for domestic rather than international diversification.

Alternatively, many findings suggest that the capital structure idiosyncrasy and especially a low debt ratio is one of the most valuable elements for family firm performance (Abdellatif et al. 2010; Ampenberger et al. 2011). For example, Abdul Hamid et al. (2015) have shown the tendency of family firms towards a low debt level during a stable environment. Moreover, they have demonstrated that debt ratio is negatively and significantly related to the profitability of family firms. Blanco-Mazagatos et al. (2007) revealed that family firms are considered different from nonfamily firms in terms of retained profits. For the authors, family firms have a low level of dividend payout, which can lead to an increase in the general financial performance.

4.2 Family Firms Alignment with Crises

The discussed literature confirms a privileged situation for family firms. Indeed, family ownership, control and involvement are supposed to enhance the consensus of better financial dimensions for family firms in a normal situation. But, in a particular situation, such as a period of crisis, the financial superiority of family firms still needs more analysis. According to the concept of organizational resilience (Horne and Orr 1998) and the resilient organizations characteristics (Coutu 2002), family firms are likely to be more resilient than other organizational forms. They are able to take transformative actions in the presence of unexpected events in order to secure their potential long-term survival (Lengnick-Hall and Beck 2009).

In previous literature, many developments treated the informal, the centralized and the quick decision-making processes (Morris et al. 1997; Ward 1997) as sources of competitive advantage of family firms. When changes in environment occur, family firms' leaders are free to make decisions more quickly as family firms are often less bureaucratic than nonfamily firms (Dreux 1990). Consequently, family firms are able to adopt fast alignment, by changing their classical behaviour in terms of diversification and capital structure decisions during crisis period. Motivated by their long-term orientations (Miller and Le Breton-Miller 2006) and their willingness to conserve the firm's future (Amann and Jaussaud 2012), the family firms have the courage to seek for new opportunities abroad and to conduct more research and development (Jorissen et al. 2005), even in a critical situation as a political crisis period. In the case of Lebanon, many family firms have applied the development strategies during crises.[16]

Furthermore, family firms can adjust their classical attitude towards debt, from caution to acceptance during downturns (Amann and Jaussaud 2012), or political crises. Family firms are flexible enough to accept these changes in their traditional debt behaviour. In addition, they have more chance to increase the confidence of creditors in crisis period for two reasons: their long relationships (Menéndez-Requejo 2006) and their interests which are likely to be more aligned with the firm's objectives (Vaknin 2010).[17]

5 Research Design and Data Description

In order to capture the financial behaviour of the Lebanese family firms during political crises, the settings of the empirical study are defined in the methodology (Sect. 5.1), and the initial results are explored in the descriptive analyses (Sect. 5.2)

5.1 Methodology

The objective of this study is to explore the impact of political crises on the financial resistance and capacity of the Lebanese family firms. The design presented in Fig. 4 indicates the consideration of three main variables: financial performance, investment strategy and capital structure during two waves of internal (from 2005 till 2010) and external political crises (from 2011 till 2015).

The pairs' methodology has been used in this study to highlight the sensibility of different financial indicators for both family and nonfamily firms. The idea behind this approach is to match comparable pairs of family and nonfamily firms.[18] However, collecting data in developing countries such as Lebanon is one of the

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[16]As Jacques SARRAF, CEO of Malia Group, said "[. . .] the situation in Lebanon is precarious at the moment [. . .]. The government institutions are not functioning properly [. . .], adding to this is the spillover from the Syrian situation, [. . .], whereby Lebanon is taking a hit [. . .]. To ensure our stability, we are trying to diversify our presence in countries not affected by the turmoil in the region".

[17]The CEO of Globex Logistics, Tarik Menhem, confirmed the importance of debts in critical situations. He said that, "[. . .] Lebanese banks have always been the principal supporter of our activities during bad time. [. . .] With their trust, we were able to continue to invest and to achieve our goals [. . .] even when the Lebanese political situation was turning more and more problematic". More information is provided by the following link: http://www.macropolis.net/Globex-logistics-in-business.htm

[18]This method was used by Allouche and Amann (2000), Allouche et al. (2008), El-Abiad (2009), El-Chaarani (2009) and Abdellatif et al. (2010).

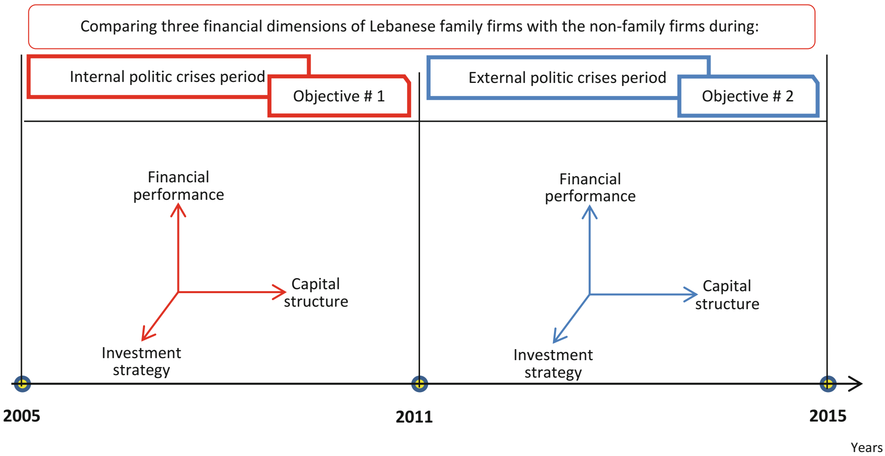

Fig. 4 Research goals

most important challenges to academic research. Unfortunately, Lebanon suffers from a massive lack of financial information related to Lebanese companies.

After many failed trials and accesses to secondary data, a collection of primary data began through 348 websites of Lebanese family firms. It was clear at this level that the Lebanese family firms are hesitant to reveal any details of their financial structures and their investment strategies.

To overcome this obstacle, 2656 e-mails were sent to Lebanese companies registered with identification number (IN) and electronic address at the chamber of commerce. Only 710 companies accepted to collaborate by sending their financial data and answering 12 questions concerning their business identity. From 710 Lebanese firms, 122 have been eliminated due to their specificities.[19] The sample is composed from the following sectors: construction, manufacturing, wineries, retails, pharmaceutical, IT, logistics and oil and gas companies (Table 3).

From Table 3, it is clear that Lebanese companies were strongly represented in retail (21.94%), construction (18.88%) and IT (17.63%) sectors. On the basis of the used definition of family firms,[20] 382 (65%) firms are considered as family firms, while 206 (35%) are considered as nonfamily firms. From 382 family firms, only

[19]Banks, insurance and other financial companies were discarded from the study due to their financial specificities.

[20]A Lebanese company is considered as a family firm when family members hold top management positions, such as chief executive officer, or sit on the board of directors and are among the main shareholders. This definition has already been used by Amann and Jaussaud (2012). It simplifies the selection of family firms by relying on the family member's involvement in top management position criteria.

Table 3 Industry types of sample firms

Economic sector	Number	%
Construction	111	18.88%
Manufacturing	62	10.54%
Wineries	5	0.85%
Retails	129	21.94%
Pharmaceutical	4	0.68%
IT	102	17.35%
Logistic	86	14.63%
Oil and gas	89	15.13%
Total	588	100%

Table 4 Number of pairs per industry

Economic sector	Number of pairs	%
Construction	43	27.92%
Manufacturing	7	4.55%
Wineries	1	0.65%
Retails	66	42.86%
Pharmaceutical	2	1.30%
IT	15	9.74%
Logistic	11	7.14%
Oil and gas	9	5.84%
Total	154	100%

154 companies were designated as pairs with nonfamily firms based on their industry and size[21] (Table 4).

It appears from Table 4 that the final studied sample is dominated by family and nonfamily firms operating in retails (42.86%) and construction (27.92%) sectors. Other sectors represent only 29.22%.

To achieve the objectives of this study, financial performance, capital structure and investment strategy variables were selected on the basis of several previous studies. The financial performance of family and nonfamily firms was measured by referring to three performance indicators: the return on equity (ROE), the return on assets (ROA) and the return on investments (ROI). The capital structure was tested by three variables: total debt (TD),[22] short-term debt (STD) and long-term debt

[21]The companies in the same sector were considered as similar in size if their sales were within 20% of each other. The economic sector was measured by the type of activity, and firm size was identified by the natural logarithm of a firm's sales.

[22]The total debt ratio used to measure the firm's capital structure was not enough to represent it sufficiently (Abor 2005). By using only total debt ratio, conclusions about capital structure could be incorrect (Shubita and Alsawalhah 2012; Abdul Hamid et al. 2015).

Table 5 Research variables

	Variables	Formulas
Performance	Return on equity (ROE)	= Net income/equity
	Return on assets (ROA)	= Net income/total assets
	Return on investment (ROI)	= Operating income/capital employed
Capital structure	Total debt ratio (TD)	= Total debt/total assets
	Short-term debt (STD)	= Short term/total assets
	Long-term debt (LTD)	= Long term/total assets
Investment strategy	Capital expenditure to fixed assets (CEFA)	= Capital expenditure/fixed assets
	Capital expenditure to total assets (CETA)	= Capital expenditure/total assets
	International diversification (ID)	= Volume of foreign sales/total sales

(LTD) ratios.[23] Finally, the potential willingness of Lebanese family firm to adopt diversification strategies was measured by two ratios: capital expenditure to fixed assets (CEFA) and capital expenditure to total assets (CETA). The type of diversification, whether it is national or international, was tested by a third ratio (international diversification: ID), which was the foreign sales volume ratio. In total, nine variables were selected for the empirical study (Table 5).

5.2 *Descriptive Analyses*

To understand the nature of the relation between the study variables, the Pearson correlation test was used to detect any significant correlation between performance, capital structure and investment strategy variables for family firms during internal and external political crises (Tables 6 and 7).

The results reflect that the capital structure of family firms has a significant correlation with their performance. During internal and external political crises, the total debt (TD) and the long-term debt (LTD) ratios are positively and significantly correlated with ROE, ROA and ROI.

The short-term debt (STD) ratio is significantly and negatively correlated with the performance variables [for internal crises, ROE ($r = -0.068$), ROA ($r = -0.041$), ROI ($r = -0.005$); for external crises, ROE ($r = -0.166$), ROA ($r = -0.153$), ROI ($r = -0.099$)]. Long-term debts present more advantage for family firms than short-term debts.

[23] The combination of the three capital structure variables was applied in Serrasqueiro et al. (2011), Shubita and Alsawalhah (2012) and Abdul Hamid et al. (2015) research.

Table 6 Correlation matrix (internal political crises)

	ROE (return on equity)	ROA (return on assets)	ROI (return on investment)	TD (total debt)	STD (short-term debt)	LTD (long-term debt)	CEFA (capital expenditure to fixed assets)	CETA (capital expenditure to total assets)	ID (international diversification)
ROE	1								
ROA	0.117 0.001 ***	1							
ROI	0.189 0.000 ***	0.165 0.000 ***	1						
TD	0.023 0.093 *	0.107 0.036 **	0.099 0.022 **	1					
STD	−0.068 0.081 *	−0.041 0.079 *	−0.005 0.064 *	0.214 0.000 ***	1				
LTD	0.109 0.000 ***	0.152 0.001 ***	0.101 0.000 ***	0.298 0.000 ***	0.022 0.059 *	1			
CEFA	0.164 0.001 ***	0.192 0.000 ***	0.213 0.000 ***	0.162 0.000 ***	0.039 0.114	0.345 0.000 ***	1		
CETA	0.105 0.000 ***	0.184 0.000 ***	0.206 0.000 ***	0.136 0.000 ***	0.044 0.158	0.312 0.000 ***	0.236 0.000 ***	1	
ID	0.144 0.001 ***	0.096 0.045 **	0.111 0.020 **	0.116 0.067 *	0.042 0.058 *	0.190 0.073 *	0.094 0.006 **	0.085 0.035 **	1

P values: ***, **, * statistical significance, respectively, at 1%, 5% and 10%

Table 7 Correlation matrix (external political crises)

	ROE (return on equity)	ROA (return on assets)	ROI (return on investment)	TD (total debt)	STD (short-term debt)	LTD (long-term debt)	CEFA (capital expenditure to fixed assets)	CETA (capital expenditure to total assets)	ID (international diversification)
ROE	1								
ROA	0.123 0.000 ***	1							
ROI	0.146 0.000 ***	0.138 0.000 ***	1						
TD	0.066 0.041 **	0.135 0.036 **	0.102 0.045 **	1					
STD	−0.166 0.001 ***	−0.153 0.009 **	−0.099 0.031 **	0.062 0.020 **	1				
LTD	0.124 0.000 ***	0.183 0.001 ***	0.133 0.000 ***	0.338 0.000 ***	−0.099 0.003 **	1			
CEFA	0.188 0.001 ***	0.235 0.000 ***	0.373 0.000 ***	0.202 0.000 ***	0.003 0.128	0.442 0.000 ***	1		
CETA	0.174 0.000 ***	0.229 0.000 ***	0.287 0.000 ***	0.211 0.000 ***	0.011 0.181	0.432 0.000 ***	0.260 0.000 ***	1	
ID	0.256 0.000 ***	0.116 0.001 ***	0.207 0.000 ***	0.189 0.000 ***	0.025 0.060 *	0.202 0.045 **	0.103 0.001 ***	0.121 0.005 **	1

P values: ***, **, * statistical significance, respectively, at 1%, 5% and 10%

The investment strategy presents a significant positive correlation with the performance of family firms and their long-term debt ratio. CEFA, CETA and ID ratios are significantly and positively correlated with ROE, ROA, ROI and LTD. Family firms depend on long-term debt to finance their investment activities and consequently increase firm performance. The intensity of the correlation becomes stronger in Table 7 (CEFA: $r_{\text{internal}} = 0.345$, $r_{\text{external}} = 0.442$; CETA: $r_{\text{internal}} = 0.312$, $r_{\text{external}} = 0.432$), which indicates that family firms rely deeply on debt to overcome the economic situation during external crisis. However, the contribution of short-term debt to the investment strategy is mitigated. During internal and external political crises, positive correlations between short-term debt (STD) and capital expenditure to fixed assets (CEFA) and between short-term debt (STD) and capital expenditure to total assets (CETA) are both non-significant. But, the correlation between short-term debt (STD) and international diversification (ID) is significant at 10% threshold.

6 Empirical Findings

The research findings and analysis cover two periods representing the internal (dated from 2005 till 2010) and the external political crises (dated from 2011 till 2015). The average of each variable was calculated separately during each type of crisis for the pairs of family and nonfamily firms. T-test was used to examine the different significance of averages between pairs, consecutively at 1%, 5% and 10% threshold.

6.1 Results During Internal Crises

The performance metrics (ROE, ROA and ROI) results indicate that family firms had a greater performance than nonfamily firms during internal political crises period (Table 8).

The performance differences between family and nonfamily firms are significant at 1% threshold. However, only the ROA is significantly different at 5%. This result reveals that family owners use all the potential sources of competitive advantages (Habbershon and Williams 1999) to secure and improve the performance of their

Table 8 Performance of family and nonfamily firms during internal crises

From 2005 till 2010 (average)						
Indicators	Number of pairs	Nonfamily firms	Family firms	Diff.	Sig.	% of pairs in favour of family firms
ROA (return on assets)	870	0.968	1.196	0.228	0.024**	64.67%
ROE (return on equity)	852	0.893	2.187	1.294	0.000***	69.86%
ROI (return on investment)	846	0.915	1.893	0.978	0.000***	59.31%

P values: ***, **, * statistical significance, respectively, at 1%, 5% and 10%

company during internal political crises. They use their particularly strong connections with external stakeholders (Miller and Le Breton-Miller 2006), and they think more creatively than nonfamily managers because they are more identified to their business (Pervin 1997). Also, they benefit from the blending of management and ownership to make quick decision when required (Ward 1997).

Family firms are able to take advantage of new opportunities due to centralized and informal decision-making processes (Morris et al. 1997) to resolve problems more quickly than nonfamily firms (Intihar and Pollack 2012). These results were confirmed by Bjuggren and Sund (2004) who revealed that family firms develop idiosyncratic knowledge that improves their performance in critical periods. Facing a crisis, family firms are pragmatic and optimistic. Those which survive have potentially the ability to use any tools or materials to create a solution (Amann and Jaussaud 2012). Their long-term goal orientation helps them to favourably position the firm for eventual crisis recovery (Michael and Lathman 2009, 2011). Richardson et al. (1998, p. 46) also explained that, "In times of economic hardship [. . .] families will be particularly vulnerable to clashes between business and family goals". Based on agency theory applied in time of political crises, family firms will search to preserve their wealth and security in businesses in such difficult times. The principal-principal conflicts tension between controlling and minority shareholders may heighten during times of crises in nonfamily firms compared to family firms (Young et al. 2008). In result, family firms outperform during periods of crises because they support less agency costs from such conflicts.

For the capital structure dimension, the results in Table 9 demonstrate that family firms rely on debt as a principal financial resource approximately as much as nonfamily firms.

The averages of debt ratios (TD, STD and LTD), shown above in Table 9, indicate that family firms are flexible enough to change their traditional conservative attitudes towards debt. The Lebanese family firms renounce their classical debt-related behaviour and accept having the same total debt level as nonfamily firms. At this level, their public relation capital with bank managers and owners is used as a tool to facilitate the credits acceptance. The Lebanese family firms are considered flexible enough to capture the creditor's confidence during period of internal political crises due to their objectives of stability and good reputation. The

Table 9 Capital structure of family and nonfamily firms during internal crises

From 2005 till 2010 (average)						
Indicators	Number of pairs	Nonfamily firms	Family firms	Diff.	Sig.	% of pairs in favour of family firms
TD (total debt)	870	66.931	67.029	0.098	0.015**	50.73%
STD (short-term debt)	852	50.659	40.973	9.686	0.061*	37.22%
LTD (long-term debt)	846	16.272	26.056	9.784	0.000***	61.67%

P values: ***, **, * statistical significance, respectively, at 1%, 5% and 10%

flexibility of family firms was revealed in two previous studies. Menéndez-Requejo (2006) considered that Spanish family firms had used their flexibility to maintain their strong relationship with creditors. Amann and Jaussaud (2012) explained that Japanese family firms had been able to switch from caution to preference attitude towards debt in presence of crises.

The comparison between (STD) and (LTD) ratios illustrates that family firms have a greater average of long-term debt and a lower average of short-term debt during internal political crises period. This result has been confirmed by Colot and Croquet (2006), who indicated that family firms easily obtain long-term debt. In contrast to nonfamily firms, these results indicate that family firms are more able to use the long-term debt. For Serrasqueiro et al. (2011), the information asymmetry between creditors and nonfamily firms' managers is the main purpose that leads to minimizing the term of debt ratio. Blanco-Mazagatos et al. (2007) have confirmed these findings during the internal political conflict in Spain, when they revealed that the ratio of long-term to short-term debts was at a higher level for family firms compared to nonfamily firms. Finally, Table 10 presents the ability of Lebanese family firms to invest during internal political crises compared with nonfamily firms. Based on three main ratios (CEFA), (CETA) and (ID), the results show that family firms preserve a dynamic investment strategy even in periods of internal troubles.

The capital expenditure to fixed assets (CEFA) and the capital expenditure to total assets (CETA) ratios reflect a higher mobilization of funds to acquire more assets in family firms. The differences, which are all significant at the 5% level, indicate the determination of Lebanese family firms to maintain the exploration of new opportunities. The Lebanese family firms have a strong willingness to secure their financial stability. Their overinvestment level explains their needs for more long-term debt, which can be seen by the positive and significant correlation at the 1% threshold between (LTD,CEFA) and (LTD,CETA) ratios in Table 6 [$\text{corr}_{(\text{LTD,CEFA})} = 0.345$; $\text{corr}_{(\text{LTD,CETA})} = 0.312$]. LTD ratio, which has also provided a positive and significant correlation at the 1% threshold with performance ratios in Table 6 [$\text{corr}_{(\text{LTD,ROE})} = 0.109$; $\text{corr}_{(\text{LTD,ROA})} = 0.152$;

Table 10 Investment strategies of family and nonfamily firms during internal crises

From 2005 till 2010 (average)						
Indicators	Number of pairs	Nonfamily firms	Family firms	Diff.	Sig.	% of pairs in favour of family firms
CEFA (capital expenditure to fixed assets)	864	3.491	6.272	2.781	0.044**	60.12%
CETA (capital expenditure to total assets)	864	1.956	3.638	1.682	0.036**	59.45%
ID (international diversification)	816	8.701	12.816	4.115	0.000***	58.67%

P values: ***, **, * statistical significance, respectively, at 1%, 5% and 10%

$corr_{(LTD,ROI)} = 0.101$)], indicates that long-term debts used to finance profitable investment project have contributed to the performance of family firms. The average of international diversification (ID) ratio differs significantly at the 1% threshold. It indicates that family firms take the lead in overseas markets more than nonfamily firms. In response with the internal political uncertainty, they undertake initiatives to guarantee their total sales level by seeking for foreign opportunities.

Previous academic research has illustrated similar results. Amann and Jaussaud (2012) found that family firms adopt long-term orientations during crises. Gomez-Mejia et al. (2010) demonstrated that family firms diversified their activities with an increase in business risk. Bauweraerts and Colot (2013) detected a higher investment rates for family firms during crises periods. Jorissen et al. (2005) reflected the courage of family firms to conduct more development strategies in critical situations.

6.2 *Alternative Results During External Crises*

To accomplish this goal of considering the impact of external political crises on the financial behaviour of Lebanese family firms, the differences in performance (Table 11), capital structure (Table 12) and investment strategy (Table 13) are again calculated and tested for 5 years (from 2011 till 2015).

Table 11 Performance of family and nonfamily firms during external crises

From 2011 till 2015 (average)						
Indicators	Number of pairs	Nonfamily firms	Family firms	Diff.	Sig.	% of pairs in favour of family firms
ROA (return on assets)	715	0.657	1.105	0.448	0.044**	69.96%
ROE (return on equity)	710	0.555	1.994	1.439	0.009***	66.56%
ROI (return on investment)	720	0.404	1.439	1.035	0.002***	74.88%

P values: ***, **, * statistical significance at 1%, 5% and 10%

Table 12 Capital structure of family and nonfamily firms during external crises

From 2011 till 2015 (average)						
Indicators	Number of pairs	Nonfamily firms	Family firms	Diff.	Sig.	% of pairs in favour of family firms
TD (total debt)	725	68.163	70.254	2.091	0.026**	52.89%
STD (short-term debt)	720	55.759	38.693	17.066	0.041**	33.75%
LTD (long-term debt)	710	12.404	31.561	19.157	0.000***	68.42%

P values: ***, **, * statistical significance at 1%, 5% and 10%

Table 13 Investment strategies of family and nonfamily firms during external crises

From 2011 till 2015 (average)						
Indicators	Number of pairs	Nonfamily firms	Family firms	Diff.	Sig.	% of pairs in favour of family firms
CEFA (capital expenditure to fixed assets)	715	2.829	8.681	5.852	0.033**	64.88%
CETA (capital expenditure to total assets)	715	0.974	5.337	4.363	0.079*	60.17%
ID (international diversification)	670	8.408	16.552	8.144	0.025**	59.46%

P values: ***, **, * statistical significance at 1%, 5% and 10%

From 2011 till 2015, the Lebanese family firms outperform the nonfamily firms. Based on a sufficient number of pairs, all the performance measures (ROA, ROE and ROI) indicate that family firms have the needed capacity to manage their continuity during external political crises. In family firms, leaders are personally identified with the company. Their principal objective is to ensure the continuity of their businesses for their entire lives. The failure of their firms is rejected, because it implies serious personal as well as career implications. Family firms' owners are primarily accountable to themselves and their families, while nonfamily managers are accountable to the stockholders of the corporation (Cater and Justis 2009).

In line with these results, Braun and Latham (2009) considered that the absolute leadership and decision-making control in family firms help to favourably position the business and facilitate management's reaction in difficult time. They suggest that the CEO duality in family firms speeds their performance recovery in economic recession. However, for managers in charge of nonfamily firms experiencing the same difficulties, appeasing different stakeholder demands can be an increasingly hard task. Cater and Beal (2014) confirmed that an externally induced crisis leads to generate a competitive advantage that enhances the family firm's performance. It reflects the ability of family firms to mobilize their resources to absorb external political crises and ensure their long-term stability. The reason, as previously stated during the internal political crises, is related to family firms' investment and financial strategies.[24]

The comparison between the observed data in Tables 8 and 11 shows that the performance differences between family and nonfamily firms grow up with the spill

[24]These results are supported in Table 7. ROE, ROA and ROI are significantly and positively correlated with total debt ratio ($corr_{(ROE,TD)} = 0.066$, $corr_{(ROA,TD)} = 0.135$, $corr_{(ROI,TD)} = 0.102$) and long-term debt ratio ($corr_{(ROE,LTD)} = 0.124$, $corr_{(ROA,LTD)} = 0.183$, $corr_{(ROI,LTD)} = 0.133$).

They show also positive and significant correlations with investment strategy variables ($corr_{(ROE,CEFA)} = 0.188$, $corr_{(ROA,CEFA)} = 0.235$, $corr_{(ROI,CEFA)} = 0.373$, $corr_{(ROE,CETA)} = 0.174$, $corr_{(ROA,CETA)} = 0.229$, $corr_{(ROI,CETA)} = 0.287$ and $corr_{(ROE,ID)} = 0.256$, $corr_{(ROA,ID)} = 0.116$, $corr_{(ROI,ID)} = 0.207$).

over of external political crises. ROA, ROE and ROI difference values are, respectively, 0.448, 1.439 and 1.035 with a stronger significance threshold level during external political crises, while these values were, respectively, 0.228, 1.294 and 0.978 during internal political crises.

As for the capital structure dimension during external political crises, the findings of Table 12 show that the family firms are still relying on debts ($TD_{F.F} = 70.254$), and they are more able to use long-term debts ($LTD_{F.F} = 31.561$) than their counterparts ($LTD_{N.F.F} = 12.404$).

By using their public relations with banks and financial institutions, family business owners are more capable than nonfamily firms' managers to reach their long-term debt ratio (Serrasqueiro et al. 2011) in order to mitigate their corporate financing needs with lower liquidity risk. In the Lebanese family firm case, the long-term debt shows a positive and significant correlation with investment strategy ratios during external political crises [Table 7, $corr_{(LTD,CEFA)} = 0.442$; $corr_{(LTD,CETA)} = 0.432$; $corr_{(LTD,ID)} = 0.202$]. It reflects that family firms prefer to finance long-term investments and maintain firm control instead of opening their family capital to external investors during external crises. This result is confirmed by Setia-Atmaja et al. (2009)[25] and Setia-Atmaja (2010) who found that Australian family-controlled firms employ higher debt levels, compared to nonfamily firms. According to Romano et al. (2000),[26] the pecking order theory (Myers and Majluf 1984) provides useful explanations for family firms' financing preferences. By applying this approach during the context of external political crises, family firms are seen as following a hierarchical sequence while selecting their financial resources to minimize the costs of financing. Initially, they prefer the internal financing, leaving the use of new debt in case of lack in internal funds. At this level, family firms start by using debt and keep issuing new shares as a final choice.

Table 12 results also show that nonfamily firms have more tendencies to use short-term debts (STD = 55.759) than family firms (STD = 38.693). Indeed, family firms avoid choosing short-term debt while they benefit from the opportunity to have long-term debt in case of financial needs.[27] In nonfamily owned firms, a short-term vision may explain why managers use short-term debts with high-interest rate during emergency situation as a contingency plan. At this level, banks also are not capable of taking a high risk, and they prefer to provide short-term loans for nonfamily firms.

Finally, the implications of external political crisis on family firm's investment strategy are tested in Table 13. According to the observed results, Lebanese family

[25]Sampling Australian firms between 2000 and 2005, Setia-Atmaja et al. (2009) showed that family firms used their higher dividend payout and debts ratios as substitutes for independent directors.

[26]The results of Romano et al. (2000) revealed that debts in small family firms are related with firm size, family control, business planning and objectives.

[27]The positive correlations between short-term debt and investment strategy ratios in Table 7 are non-significant [$corr_{(STD,CEFA)} = 0.003$; $corr_{(STD,CETA)} = 0.011$; $corr_{(STD,ID)} = 0.025$].

firms invest more than their counterparts and maintain a greater determination to explore new investments during external political crises.

The differences of CEFA and CETA ratios between family and nonfamily firms are significant, respectively, at the 5% and 10% threshold. The difference in ID ratio between family firms and their counterparts is also significant at 5%. In opposition to their counterparts, family firms are more willing to diversify as business risk increases (Gomez-Mejia et al. 2010), by selecting long-term investment horizons (Amann and Jaussaud 2012). In the same line, Svalland and Vangstein (2009) found that family firm managers use the economies of the agency costs to increase their long-term investment. Amann and Jaussaud (2012) illustrated that family firms are keen to explore opportunities abroad more than nonfamily firms in a crisis period. The comparison between Tables 10 and 13 indicates that family firms overinvest during external political crises more than during internal political crises. The differences in CEFA, CETA and ID ratios between family and nonfamily firms have increased, respectively, from 2.781, 1.682 and 4.115 during internal political crises to 5.852, 4.363 and 8.114 during external political crises. It seems that managers in nonfamily firms have financial barriers because they have fears from long-term investment during external political crises,[28] and they are also afraid to seek for international investment opportunities.[29]

7 Conclusion

Over the last decade, the Lebanese economic and political situation has faced many challenges related to internal and external political crises. Since February 14, 2005, the day of PM R. Hariri's assassination until the spill over of the Syrian civil war on Lebanese stability in 2010, Lebanon was mainly influenced by internal political crises. From 2011 till 2015, the country was under the tension of external political crises triggered by the Syrian civil war.

During this critical period, the Lebanese family firms have been able to survive due to their continuous activities despite the unsuitable context. For this reason, the purpose of this study is to discover, understand and analyse the impact of internal and external political crises on the financial resistance and capacity of the Lebanese family firms measured by three main variables: financial performance, capital structure and investment strategy.

By relying on 154 pairs of family and nonfamily firms to highlight the sensibility of different financial indicators with internal and external political crises, the results indicate that family firms have a higher financial resistance than their counterparts.

[28] $CEFA_{(N.F.F)Int} = 3.491$ while $CEFA_{(N.F.F)Ext} = 2.829$ and $CETA_{(N.F.F)Int} = 1.956$ while $CETA_{(N.F.F)Ext} = 0.974$.

[29] The ID ratio for family firms has increased from 12.816 during internal political crises to 16.552, while its value has remained approximately unchanged for nonfamily firms.

Lebanese family firms outperform their nonfamily counterparts during internal and external political crises. They mobilize all the potential sources of competitive advantages by using their strong connections with external stakeholders and taking advantage of the blending of management and ownership to make a quick decision. In the presence of external political crises, family firms think more creatively to secure and improve their situation. The differences between their performance and the performance of nonfamily firms increase with the spill over of external political crises. These results have been confirmed by Bjuggren and Sund (2004), Braun and Latham (2009) and Cater and Beal (2014).

The financial behaviour and the capital structure tendency of family firms are the same during internal and external political crises. They use debts with more preference for long-term loans, to maintain their control over their business. This result comes in line with Pindado and Torre (2008), Setia-Atmaja et al. (2009) and Setia-Atmaja (2010) findings, in which family firms had shown higher debt levels, compared to nonfamily firms. However, it comes in contradiction with Sonnenfeld and Spence (1989), Gallo and Vilaseca (1996) and Mishra and McConaughy (1999) results, which revealed that family firms use less debt, because they are afraid of losing their family's reputation and personal guarantees in case of loan failure.

The results show that Lebanese family firms preserve a dynamic investment strategy even in periods of internal and external political troubles. They demonstrate the strong will of Lebanese family firms to maintain the exploration of new opportunities to secure their stability during a period of political crisis. They also make evident that family firms take the lead in overseas markets more than nonfamily firms, and they overinvest during external political crises more than internal political crises. A similar investment strategy adopted by family firms during crises was also illustrated by Jorissen et al. (2005), Gomez-Mejia et al. (2010), Amann and Jaussaud (2012) and Bauweraerts and Colot (2013).

The current results are exploratory due to the limitations of this research. The first limitation is associated with the choice of the sample, which is composed of small- and medium-sized companies. It is therefore necessary to think about this limitation while considering the generalization of the explored results to other family firms during political crises. The second limitation is related to the applied methodology, which is based only on a quantitative approach. A qualitative approach based on interviews with managers would provide a better understanding of family firms' behaviours during crises. The third limitation is linked to the concentration of this research on Lebanese family firms. Our findings are important, but they could be developed in other contexts, within and outside the Arab region.

Appendix

Table of Lebanese political troubles from 2005 till 2015

Year	Incidents	Classifications
2005	Assassination of Prime Minister Rafic Hariri, with the former Minister of the Economy Bassel Fleihan (Beirut)	Bombings, assassinations and violence
	Assassination of Samir Kassir, an anti-Syrian journalist (Beirut)	Bombings, assassinations and violence
	Assassination of George Hawi, the former Lebanese Communist Party leader (Beirut)	Bombings, assassinations and violence
	Assassination of Gebran Tueni, an anti-Syrian journalist and lawmaker (Mkalles, Beirut)	Bombings, assassinations and violence
	Assassination attempt on Elias Murr, the outgoing Lebanese Defence Minister (Antelias, Beirut)	Bombings, assassinations and violence
	Assassination attempt on May Chidiac, an anti-Syrian journalist (Jounieh)	Bombings, assassinations and violence
	Bombing in New Jdeideh (commercial/residential area in Beirut)	Bombings, assassinations and violence
	Bombing in Kaslik (commercial area in Jounieh)	Bombings, assassinations and violence
	Bombing in Sad el-Bauchrieh (industrial area in Beirut)	Bombings, assassinations and violence
	Bombing in Broummana (touristic area in east of Beirut)	Bombings, assassinations and violence
	Bombing in Jounieh (residential area between Sawt-al Mahaba radio station and Mar Yuhanna church in Jounieh)	Bombings, assassinations and violence
	Bombing in Monot (touristic area in Beirut)	Bombings, assassinations and violence
	Bombing in Zalka (commercial area in Beirut)	Bombings, assassinations and violence
	Bombing in Geitawi (residential area in Ashrafieh, Beirut)	Bombings, assassinations and violence
	Resignation of Prime Minister Omar Karami's cabinet	Governance crisis
	Cedar Revolution (withdrawal of Syrian armed forces from Lebanon)	Governance crisis
2006	Assassination of Mahmoud al-Majzoub, the leader of the Palestinian Islamic Jihad in Sidon (South Lebanon)	Bombings, assassinations and violence
	Assassination of Pierre Gemayel, an anti-Syrian member of parliament and Minister of Industry (Beirut)	Bombings, assassinations and violence
	Assassination attempt on Samir Shehadeh, officer internal security forces (Beirut)	Bombings, assassinations and violence
	Protests outside the Danish embassy turn violent	Bombings, assassinations and violence
	July War	War
	Political crisis triggered by disagreements over the establishment of the Special Tribunal for Lebanon	Governance crisis
	Six Ministers from the Hezbollah-led opposition resigned from the Cabinet, over plans to set up the tribunal	Governance crisis

(continued)

Year	Incidents	Classifications
2007	Assassination of Walid Eido, an anti-Syrian member of parliament (Beirut)	Bombings, assassinations and violence
	Assassination of Antoine Ghanem, an anti-Syrian member of parliament (Beirut)	Bombings, assassinations and violence
	Assassination of François al-Hajj, the Brigadier General in Baabda (Beirut)	Bombings, assassinations and violence
	Bombing in Ain Alaq (Mont-Liban)	Bombings, assassinations and violence
	Bombing against UNIFIL troops in Marjayoun (South Lebanon)	Bombings, assassinations and violence
	Bombing in Aley (touristic area, Mont-Liban)	Bombings, assassinations and violence
	Bombing in Bikfaya (touristic area, Mont-Liban)	Bombings, assassinations and violence
	Bombing in near the ABC mall in Ashrafieh (Beirut)	Bombings, assassinations and violence
	Bombing in Verdun (residential area, Beirut)	Bombings, assassinations and violence
	Clashes in Beirut Arab University (Beirut)	Bombings, assassinations and violence
	Nahr al-Bared War (Fatah al Islam)	War
	Lebanese politicians were unable to agree on a successor to President Emile Lahoud, presidential vacuum	Governance crisis
	The parliament remained closed. Hundreds of opposition demonstrators camped out in central Beirut	Governance crisis
	President Lahoud's term ends without a successor	Governance crisis
2008	Assassination of Wissam Eid, Lebanese Internal Security Forces senior terrorism investigator (Beirut)	Bombings, assassinations and violence
	Assassination of Saleh Aridi, a pro-Syrian Druze politician of the Lebanese Democratic Party (Aley, Mont-Liban)	Bombings, assassinations and violence
	Bombing in US diplomatic vehicle (Beirut)	Bombings, assassinations and violence
	Bombing targeting Lebanese soldiers in a civilian bus in Tripoli (North Lebanon)	Bombings, assassinations and violence
	Second bombing targeting Lebanese soldiers in a civilian bus in Tripoli (North Lebanon)	Bombings, assassinations and violence
	Armed clashes in Beirut	Bombings, assassinations and violence
	Armed clashes in Tripoli (North Lebanon)	Bombings, assassinations and violence
	West Beirut May 2008 violence	Bombings, assassinations and violence
	Lebanese politicians were unable to agree on a successor to President Emile Lahoud	Governance crisis
	Tensions were further increased by assassination of the Hezbollah's second in command, Imad Mugniyah, in a car bomb in Damascus	Governance crisis

(continued)

Year	Incidents	Classifications
	Political paralysis between the "Cedar Revolution" government and the parliamentary majority with the Hezbollah-led opposition culminates in May violence	Governance crisis
2009	Assassination of Kamal Naji, the deputy representative of the Palestinian Liberation Organization (PLO) in Lebanon and a former Fatah intelligence chief (Sidon, South Lebanon)	Bombings, assassinations and violence
	Fighting in Beirut between Amal and Future supporters	Bombings, assassinations and violence
2010	Bombing in a building in Shehabiyeh (South Lebanon)	Bombings, assassinations and violence
	Clashes between Lebanese civilian and UNIFIL troops (South Lebanon)	Bombings, assassinations and violence
	Clashes in Bourj Abi Haidar (Beirut)	Bombings, assassinations and violence
	Political bickering over the Special Tribunal for Lebanon	Governance crisis
2011	A bomb went off in north Beirut suburb, killing two people and damaging several cars	Bombings, assassinations and violence
	Tension in the heavily guarded Roumieh prison in the east of Beirut	Bombings, assassinations and violence
	A police intelligence officer and a main suspect in Estonian cyclists were killed in a shootout in Majdal Anjar	Bombings, assassinations and violence
	Bombing against UNIFUL (South Lebanon)	Bombings, assassinations and violence
	Second bombing against UNIFUL (South Lebanon)	Bombings, assassinations and violence
	Third bombing against UNIFUL (South Lebanon)	Bombings, assassinations and violence
	March 8 and March 14 were deadlocked over the issue of the Special Tribunal for Lebanon. Media reports have indicated the tribunal would indict the role of Hezbollah members. Saad Hariri's government fell on Wednesday January 12, when 11 ministers, most from Hezbollah, resigned.	Governance crisis
	Interpol issued its highest level international alerts against Hezbollah	Governance crisis
	The UN called on Damascus to end its incursions into Lebanon	Governance crisis
	Lebanon's Prime Minister Najib Mikati threatened to resign because of the tension with Hezbollah after his involvement in the Syrian civil war	Governance crisis
2012	Assassination of Wissam al-Hassan, head of the intelligence branch of the Internal Security Forces (ISF) in Ashrafieh (Beirut)	Bombings, assassinations and violence
	The spill of the Syrian's civil war to Lebanon with deadly clashes between Sunni Muslims and Alawites in Tripoli and Beirut	Bombings, assassinations and violence

(continued)

Year	Incidents	Classifications
	March 14 alliance accused the March 8 alliance of trying to drag Lebanon into the Syrian civil war	Governance crisis
	Members of March 14 parties demand the expulsion of the Syrian Ambassador	Governance crisis
	Tension between parliament members regarding the spill over effects of the Syrian civil war and allegations of arms smuggling	Governance crisis
	The Syrian refugees problem increases the tension between March 14 and March 8 parties	Governance crisis
	Hezbollah was accused of dragging Lebanon into the Syrian civil war	Governance crisis
2013	Bombing in Bir el-Abed, a popular Beirut street associated with Hezbollah (South Beirut)	Bombings, assassinations and violence
	Bombing in Roueiss, a Hezbollah stronghold (South Beirut)	Bombings, assassinations and violence
	Dual bombings targeting Al-Taqwa and Al-Salam mosques in Tripoli (North Lebanon)	Bombings, assassinations and violence
	Bombing in Bir Hassan near an Iranian cultural centre (South Beirut)	Bombings, assassinations and violence
	Assassination of Hassan Laqqis, a senior Hezbollah commander (Beirut)	Bombings, assassinations and violence
	Assassination of Mohamad Chatah, a former Lebanese Minister of Finance and member of the Future Movement (Beirut)	Bombings, assassinations and violence
	Clashes in Tripoli, where at least ten people die in further sectarian clashes between supporters and opponents of the Syrian regime (North Lebanon)	Bombings, assassinations and violence
	Syrian warplanes and helicopters fire rockets into Northern Lebanon, days after Damascus warns Beirut to stop militants crossing the border to fight Syrian government forces	Bombings, assassinations and violence
	Lebanon's Parliament voted May 31 to postpone the elections because of security concerns over the conflict in Syria	Governance crisis
	Lebanese Parliament extends its mandate	Governance crisis
	The resignation of Prime Minister Najib Mikati, after a dispute over the electoral law and an extension to the term of a top security official	Governance crisis
	Hezbollah's announcement of its military involvement in Syria on behalf of the Syrian government	Governance crisis
2014	Bombing in front of the political office of Hezbollah in Haret Hreik (South Beirut)	Bombings, assassinations and violence
	Bombing in a bustling neighbourhood in Hermel (Beqaa)	Bombings, assassinations and violence
	Second bombing in Haret Hreik (South Beirut)	Bombings, assassinations and violence
	Second bombing in Hermel (Beqaa)	Bombings, assassinations and violence

(continued)

Year	Incidents	Classifications
	Bombing in a van (South Beirut)	Bombings, assassinations and violence
	Bombing in Iranian cultural centre (Beirut)	Bombings, assassinations and violence
	Third bombing in Hermel targeting an army post (Beqaa)	Bombings, assassinations and violence
	Bombing in Arsal (Baalbek, Beqaa)	Bombings, assassinations and violence
	Bombing in Dahr al-Baidar (Mont Liban)	Bombings, assassinations and violence
	Bombing in Beirut Café (Beirut)	Bombings, assassinations and violence
	Bombing in a Beirut Hotel (Beirut)	Bombings, assassinations and violence
	Bombing near an army checkpoint in Tripoli (North Lebanon)	Bombings, assassinations and violence
	Second bombing in Arsal (Baalbek, Beqaa)	Bombings, assassinations and violence
	Bombing targeted a Hezbollah checkpoint in Eastern Lebanon	Bombings, assassinations and violence
	Third bombing in Arsal (Baalbek, Beqaa)	Bombings, assassinations and violence
	Fourth bombing in Arsal (Baalbek, Beqaa)	Bombings, assassinations and violence
	Syrian rebels overrun border town of Arsal. They withdraw after being challenged by the military but take 30 soldiers and police captive	Bombings, assassinations and violence
	Clashes in Tripoli between the army and Islamist gunmen, in a spill over of violence from the Syrian conflict	Bombings, assassinations and violence
	Protesters blocked roads to Lebanon's Parliament in a last-ditch attempt to halt the session	Bombings, assassinations and violence
	Skipping scheduled elections for the second consecutive time	Governance crisis
	Extension of the Lebanese Parliament mandate	Governance crisis
	The parliament convene 35 times without electing either candidate as president, presidential vacuum	Governance crisis
2015	Assassination of the intelligence officer Ghassan Ajaj by a gunman in Mina (North Lebanon)	Bombings, assassinations and violence
	Assassination of Bader Eid, the brother of the Alawite leader Ali Eid (North Lebanon)	Bombings, assassinations and violence
	Bombing in Jabal Mohsen café (North Lebanon)	Bombings, assassinations and violence
	Bombing targeted a bus transporting Hezbollah fighters to Syria	Bombings, assassinations and violence
	Bombing in Arsal (Baalbek, Beqaa)	Bombings, assassinations and violence

(continued)

Year	Incidents	Classifications
	Second bombing in Arsal (Baalbek, Beqaa)	Bombings, assassinations and violence
	Bombing in Bourj el-Barajneh, a Hezbollah stronghold in South Beirut	Bombings, assassinations and violence
	Bombing in Deir Ammar during an army raid (North Lebanon)	Bombings, assassinations and violence
	Parliament failed on 17 occasions to reach a two-thirds vote to name a successor	Governance crisis

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