



(Research Article)

Resilience in Small Family Businesses during Systemic Shocks: A Literature Review on the Mediating Role of Adaptive Capacity

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Abstract: This qualitative literature review explores how adaptive capacity mediates resilience in small family businesses (SFBs) during systemic shocks. Drawing from recent empirical studies, the review identifies adaptive capacity as a dynamic capability that enables SFBs to respond effectively to crises through flexible leadership, innovation, generational collaboration, and social capital. Unlike non-family firms, SFBs exhibit unique strengths and constraints rooted in socioemotional wealth, long-term orientation, and intergenerational ties. The findings highlight that adaptive capacity functions as a crucial intermediary between environmental disruption and business continuity. Contextual factors such as industry, firm size, and institutional support further influence resilience outcomes. This study contributes to the theoretical understanding of resilience by positioning adaptive capacity as a central mechanism in navigating systemic shocks.

Keywords: Resilience, Small Family Businesses, Adaptive Capacity, Systemic Shocks, Socioemotional Wealth

1. Introduction

Small family businesses (SFBs) represent a vital segment of national economies, serving as engines of employment, social cohesion, and innovation. Yet, despite their contributions, they are particularly vulnerable to systemic shocks such as natural disasters, political unrest, or global pandemics due to limited resources, informal governance structures, and high emotional attachment to the business (Calabrò et al., 2021; Stafford et al., 2010). The COVID-19 pandemic serves as a compelling case in point, exposing the fragility of SFBs while simultaneously highlighting their potential for resilience and adaptation in times of crisis (Cheema-Fox et al., 2021; Soluk et al., 2021). Understanding the mechanisms through which SFBs navigate such disruptive events is crucial, particularly the mediating role of adaptive capacity in sustaining business continuity and recovery. Efforts to build resilience need to consider the diversity of perspectives regarding how individuals, organizations, or communities understand and respond to situations and events (Harahap, S., et al, 2022).

The theory of sustainable family business (SFBT), which emphasizes the dual functioning of family and business systems in preserving socioemotional and financial wealth across generations, provides a valuable framework for examining this dynamic (Danes et al., 2008; Stafford et al., 2010). Within this context, resilience is not simply the capacity to bounce back but rather to bounce forward—learning from shocks, adapting structures, and realigning strategies to ensure long-term viability (Linnenluecke, 2017). Thus, the notion of adaptive capacity—defined as the ability of an organization to adjust its processes, resources, and capabilities in response to external stressors—becomes central to understanding how SFBs respond to systemic shocks (Engle, 2011; Mahdad et al., 2020).

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Recent studies suggest that adaptive capacity does not function in isolation but interacts with an organization's sensitivity to its environment—particularly its stakeholders and internal processes (Reyes-Santiago & Sánchez-Medina, 2025; Sahoo et al., 2022). Organizational sensitivity, in this context, refers to the awareness and responsiveness of firms to both human and procedural vulnerabilities during crises. Stakeholder sensitivity encompasses the firm's attentiveness to employee health, customer welfare, and community well-being, whereas process sensitivity involves how operational structures respond to disruptions (Da Silva et al., 2022; Brunelli et al., 2023). While these sensitivities may initially represent vulnerabilities, they can also serve as early warning systems that, if properly mediated by adaptive capacity, enhance the firm's overall resilience.

Empirical evidence from small family firms in Mexico during the COVID-19 pandemic demonstrates that adaptive capacity plays a critical mediating role between process sensitivity and business recovery, though not necessarily between stakeholder sensitivity and recovery (Reyes-Santiago & Sánchez-Medina, 2025). This suggests that the operational dimensions of business are more amenable to adaptive transformation than relational ones. Nevertheless, both dimensions are important in formulating a comprehensive understanding of organizational resilience. As noted by Linnenluecke and Griffiths (2010), resilience is multidimensional and context-dependent, influenced by internal resources, leadership, and external institutional supports.

The unique structural and emotional characteristics of family businesses—such as long-term orientation, strong value systems, and intergenerational leadership—can both hinder and facilitate resilience (Gomez-Mejia et al., 2018; Yilmaz et al., 2024). On one hand, emotional attachment and informal decision-making processes can slow down necessary changes; on the other, family cohesion and embeddedness in local networks can enhance the ability to absorb shocks and access informal support mechanisms (Iborra et al., 2024; Bjuggren, 2015). Furthermore, socioemotional wealth considerations often lead family firms to prioritize survival over growth during crises, making resilience a strategic imperative rather than a byproduct (Gomez-Mejia et al., 2018).

The pandemic has also underscored the importance of communication and digital transformation in fostering adaptive capacity. As studies by Batista et al. (2020) and Schwaiger et al. (2022) suggest, effective communication strategies and technology adoption enabled many family businesses to maintain stakeholder trust and operational continuity amid uncertainty. These factors, when aligned with adaptive behaviors such as resource reallocation, flexible leadership, and proactive planning, constitute critical dimensions of organizational resilience (Wulandhari et al., 2023; Soluk et al., 2021).

Moreover, the interplay between internal capacities and external support systems—including financial aid, policy interventions, and community partnerships—shapes the resilience outcomes for small family firms (Oikawa & Onishi, 2024; Liu & Nazareno, 2024). Public policy thus plays a pivotal role in amplifying adaptive capacity through targeted support for digital infrastructure, financial liquidity, and training programs (Carletti et al., 2020; Graveline & Grémont, 2017). However, the effectiveness of such interventions depends largely on how well they align with the specific needs and values of family-owned enterprises.

This literature review seeks to critically synthesize current research on how adaptive capacity mediates the relationship between organizational sensitivity and resilience in small family businesses during systemic shocks. By drawing on empirical findings, conceptual models, and theoretical insights, the review aims to elucidate the key factors that enable or constrain resilience. The scope is both broad—considering economic, emotional, and structural aspects—and focused, examining how adaptive responses are shaped by stakeholder needs and internal process changes.

As the world enters an era marked by increasing volatility—be it from pandemics, climate change, or economic instability—understanding resilience in small family businesses becomes more urgent than ever (Thomas et al., 2019; Allenby & Fink, 2005). By exploring the mediating role of adaptive capacity, this review contributes to a more nuanced understanding of how SFBs can not only survive but thrive

amidst systemic shocks. It also provides practical insights for policymakers, business leaders, and scholars seeking to build more robust and sustainable family business ecosystems.

2. Literature Review

The concept of resilience in small family businesses (SFBs) has garnered increasing attention in the context of systemic shocks, especially during crises such as the COVID-19 pandemic (Linnenluecke, 2017; Yilmaz et al., 2024). Resilience, as broadly defined, is the ability of a system or entity to absorb, recover, and adapt to adverse events (Allenby & Fink, 2005). In the domain of family businesses, resilience is not merely a reactive process but is interwoven with values, intergenerational leadership, and embeddedness within the community (Calabrò et al., 2021). This review synthesizes qualitative findings from the literature, emphasizing the mediating role of adaptive capacity in the resilience of SFBs during systemic shocks.

Theoretical Underpinnings of Resilience and Adaptive Capacity. Resilience in business contexts involves both strategic and operational components that enable firms to survive, adapt, and even thrive during periods of disruption (Linnenluecke & Griffiths, 2010). Lengnick-Hall et al. (2011) emphasized the role of human resource systems in fostering organizational resilience by enhancing adaptability. Adaptive capacity, as described by Engle (2011), is a critical facet of resilience, allowing organizations to anticipate, respond to, and recover from shocks. Adopting a forward-thinking strategy that ensures both the company's financial success and its ability to thrive amidst challenges, changes, and uncertainties is a cornerstone of sustainable leadership for business resilience (Sugiharti, T., 2023).

In family firms, the resilience narrative is enriched by the concept of socioemotional wealth, which includes non-financial aspects such as family legacy and identity (Gomez-Mejia et al., 2018). These attributes can both enhance and constrain adaptive responses depending on the family's openness to change (Iborra et al., 2024). The operational resilience influences corporate sustainable longevity directly and indirectly through innovation performance (Thoah et al., 2021).

Sensitivity and Vulnerability of Family Businesses to Systemic Shocks. Small family businesses are often more vulnerable to systemic shocks due to their limited resources and overreliance on informal structures (Bejarano et al., 2021; Lo et al., 2021). Bjuggren (2015) highlighted how implicit employment protection in family firms may reduce flexibility, increasing sensitivity during economic downturns. Similarly, Sahoo et al. (2022) found that perceived risk and sensitivity can affect expatriate performance and broader organizational outcomes during crises.

Yet, the very nature of family involvement may also reduce vulnerability through trust, loyalty, and long-term commitment (Stafford et al., 2010). Graveline and Grémont (2017) suggested that microeconomic resilience is partly determined by how firms internalize and manage service interruptions.

Adaptive Capacity as a Mediator in Crisis Recovery. Reyes-Santiago and Sánchez-Medina (2025) empirically confirmed that adaptive capacity mediates the relationship between organizational sensitivity and crisis recovery. This finding aligns with earlier conceptualizations by Parsons et al. (2016), who posited that adaptive capacity includes learning, flexibility, and innovation.

Family businesses that embraced adaptive strategies during COVID-19 demonstrated greater recovery and performance. For instance, Soluk et al. (2021) observed that the use of digital technologies and behavioral adjustments significantly improved adaptive responses. Conz et al. (2020) provided qualitative evidence of how resilience is enacted through practice and learning in family business settings.

Strategies and Mechanisms to Build Resilience through Adaptive Capacity. Several scholars have outlined mechanisms through which adaptive capacity can be fostered in SFBs. Ciasullo et al. (2022) highlighted the role of big data analytics and co-innovation in enhancing SMEs' resilience. Similarly,

Mahdad et al. (2020) discussed how open innovation and adaptive learning enable firms to cope with uncertainty.

Effective communication is also crucial. Batista et al. (2020) and Kartikawangi and Dahesihsari (2020) showed that transparent and timely communication helps maintain stakeholder trust and internal coordination. Leadership also plays a key role, as noted by Da Silva et al. (2022), who identified sensitivity and adaptability as essential leadership traits in hybrid work environments.

Business model adaptation emerged as another strategic response. Brunelli et al. (2023) explored how family SMEs redesigned business models to remain viable during the COVID-19 pandemic, emphasizing innovation and resource reallocation. Prayag et al. (2024) proposed a staged capability development model to enhance resilience in tourism firms.

Empirical Findings on the Role of Family in Resilience Building. Calabrò et al. (2021) emphasized that the family itself can act as a source of resilience, providing emotional and financial support that buffers against crisis impacts. Rivo-López et al. (2021) observed strategic shifts toward corporate social responsibility (CSR) among family firms during the pandemic, reinforcing stakeholder relationships.

Schwaiger et al. (2022) found that emotional attachment to the firm, combined with flexible leadership, enabled hospitality family businesses to survive COVID-19. This is supported by Wiatt et al. (2021), who highlighted the importance of resource intermingling and cash flow management in post-disaster recovery.

Challenges and Limitations in Building Adaptive Capacity. Despite its advantages, building adaptive capacity is not without challenges. Resistance to change, entrenched traditions, and lack of external orientation may hinder adaptation (Gomez-Mejia et al., 2018; Iborra et al., 2024). Liu and Nazareno (2024) showed that variations in government policy responses affected the ability of small firms to recover, suggesting that external factors also shape adaptive potential.

Namazi and Namazi (2016) caution against misinterpreting mediating effects without rigorous methodological validation, while McNeish (2016) and Hadi et al. (2016) highlight technical constraints in factor analysis with small samples, a common limitation in family firm research.

The literature clearly indicates that adaptive capacity serves as a critical mediator in the relationship between systemic shock exposure and resilience outcomes in small family businesses. Through a combination of internal resources, strategic leadership, communication practices, and external collaborations, SFBs can enhance their adaptive responses and improve their resilience.

3. Proposed Method

This study adopts a qualitative literature review methodology to explore how adaptive capacity mediates resilience in small family businesses (SFBs) during systemic shocks. The purpose of a qualitative literature review is not merely to aggregate findings but to interpret, synthesize, and critically evaluate existing research within a conceptual framework (Snyder, 2019; Xiao & Watson, 2019). This approach is particularly suited to emerging and complex phenomena, such as resilience in family firms, where empirical evidence is dispersed and theoretical clarity is still evolving.

The research design follows a narrative qualitative review strategy, which emphasizes thematic exploration and conceptual development rather than statistical generalization (Suri, 2020). A narrative synthesis enables researchers to draw insights from heterogeneous studies, contextualize findings, and build a coherent interpretive understanding across multiple disciplines and research contexts (Greenhalgh et al., 2018).

This method was chosen due to the interdisciplinary nature of resilience studies, which intersect business management, psychology, disaster studies, and family firm literature. Moreover, it allows a deeper analysis of how and why adaptive capacity mediates resilience, rather than merely assessing whether such a relationship exists (Grant & Booth, 2009).

A comprehensive search was conducted across major academic databases, to identify peer-reviewed journal articles published up to 2025. The search used Boolean combinations of keywords such as: “family business” or “family firm”, and “resilience” or “resilient organizations”, and “adaptive capacity” or “adaptive strategies”, and “systemic shocks” or “crisis” or “disaster” or “COVID-19”. Grey literature, such as policy reports or dissertations, was excluded to ensure academic rigor. Only articles published in English were considered.

Studies were selected based on the following inclusion criteria: Focus on small family businesses or SMEs. Addressing resilience or adaptive capacity in the context of systemic shocks (e.g., pandemics, economic crises, environmental disasters). Use of qualitative or mixed-methods approaches, or conceptual models relevant to resilience. Published in peer-reviewed academic journals up to 2025. Exclusion criteria involved studies focusing solely on large corporations, non-family enterprises, or those dealing exclusively with operational or financial performance without reference to resilience or adaptation. This process yielded a final sample of some articles, which formed the basis for thematic synthesis and conceptual integration.

The selected articles were imported into NVivo 14 for qualitative coding and thematic analysis. Following the approach of Braun and Clarke (2006), an inductive process was used to identify recurring themes related to: Characteristics of resilience in SFBs, Dimensions of adaptive capacity (e.g., leadership, innovation, learning), Mediating mechanisms during systemic shocks, Organizational responses and recovery trajectories.

The coding was refined through iterative comparison and clustering, allowing for the emergence of higher-order themes and conceptual linkages. A matrix mapping technique was used to visualize the relationships between sensitivity, adaptive capacity, and resilience outcomes.

To ensure rigor and trustworthiness, the Critical Appraisal Skills Programme (CASP) checklist for qualitative studies was adapted to assess methodological quality (CASP, 2018). Each article was evaluated based on clarity of research aims, appropriateness of design, data collection and analysis, and reflexivity. Only studies rated as moderate to high quality were retained in the final synthesis.

Triangulation was achieved by cross-referencing findings across different sectors (e.g., hospitality, manufacturing, retail) and geographical regions, enhancing the transferability of insights (Lincoln & Guba, 1985).

4. Results and Discussion

The literature review reveals several interrelated themes highlighting how adaptive capacity mediates the resilience of small family businesses (SFBs) in response to systemic shocks. Three major thematic findings emerged: (1) resilience as a multidimensional construct in family firms, (2) adaptive capacity as a dynamic mediator, and (3) contextual influences shaping adaptive capacity and resilience outcomes.

Resilience in Small Family Businesses: A Multidimensional Construct. The resilience of small family businesses during crises is not a static trait but a multidimensional and evolving capability. Studies emphasize that resilience in SFBs manifests through emotional attachment, intergenerational commitment, and long-term orientation (Gómez-Mejía et al., 2018; Calabrò et al., 2021). Unlike non-family SMEs, SFBs often draw upon socioemotional wealth (SEW) as a source of resilience, enabling persistence in the face of prolonged shocks such as COVID-19 (Rivo-López et al., 2021).

For example, Schwaiger et al. (2022) found that family involvement and emotional leadership in the hospitality sector enhanced employee retention and maintained service continuity during the pandemic. Similarly, Soluk et al. (2021) show that digitally progressive family firms were more resilient because they adapted their operations swiftly to the constraints of lockdowns. Thus, SFB resilience is both emotional and structural, grounded in family cohesion and flexible organizational routines.

Adaptive Capacity as a Mediator of Resilience. A key finding is that adaptive capacity plays a mediating role between systemic shocks and business continuity. Adaptive capacity is defined as the firm’s ability to adjust internal processes, reconfigure resources, and innovate under uncertainty (Engle, 2011; Linnenluecke, 2017). In family firms, this capacity is amplified or constrained by family dynamics, governance structures, and generational involvement (Bejarano et al., 2021; Iborra et al., 2024).

In this literature, adaptive capacity is most evident in three domains: Leadership adaptability: Family leaders who engaged in participatory decision-making and flexible leadership were more likely to facilitate change (Schwaiger et al., 2022; Da Silva et al., 2022). Strategic learning and innovation: Firms that implemented digital tools, diversified supply chains, or shifted to e-commerce platforms exhibited greater resilience (Soluk et al., 2021; Brunelli et al., 2023).

Relational and social capital: Firms with robust internal networks and external ties adapted more effectively, drawing on stakeholder collaboration and informal community support (Conz et al., 2020; Ciasullo et al., 2022). These elements enable family firms to translate shocks into opportunities for learning and transformation—supporting the notion that adaptive capacity is a processual mediator that links firm vulnerability to resilience outcomes.

Contextual Factors Shaping Adaptive Capacity. Findings also emphasize the role of contextual factors—both internal and external—in shaping the extent to which adaptive capacity mediates resilience. Firm size and industry: Smaller firms in high-contact sectors (e.g., hospitality or retail) were more vulnerable but often more agile in decision-making (Lo et al., 2021). Generational involvement: Firms involving both younger and older family members tended to have more balanced decision-making and higher digital literacy, enhancing adaptability (Calabrò et al., 2021).

Government support and institutional environment: Policy responsiveness, access to credit, and public health measures significantly influenced firm capacity to adapt (Liu & Nazareno, 2024). These contextual dynamics highlight that adaptive capacity is not uniformly distributed across family businesses; rather, it is contingent upon resources, leadership, and institutional embeddedness.

Theme	Key Insight	Key Sources
Resilience in SFBs	Rooted in socioemotional wealth, long-term orientation, and family cohesion	Calabrò et al., 2021; Gómez-Mejía et al., 2018
Adaptive Capacity as Mediator	Enables reconfiguration of resources, innovation, and strategic adaptation	Engle, 2011; Soluk et al., 2021; Conz et al., 2020
Contextual Influences	Shaped by sector, generational mix, digital readiness, and government support	Lo et al., 2021; Liu & Nazareno, 2024; Iborra et al., 2024

Discussion

The findings of this qualitative literature review demonstrate that resilience in small family businesses (SFBs) during systemic shocks is a multidimensional construct, heavily mediated by adaptive capacity. This discussion synthesizes the results by comparing them with eight prior empirical studies, offering critical insights into how adaptive capacity functions as a mediating mechanism. It also explores the contextual and theoretical implications of these findings for both scholarship and practice.

Adaptive Capacity as the Central Mediator. One of the most prominent insights from the reviewed literature is the role of adaptive capacity as a central mediator between external shocks and organizational resilience. Engle (2011) originally conceptualized adaptive capacity as the firm's ability to reconfigure resources and adjust strategies under uncertainty—a notion reaffirmed by Linnenluecke (2017) and extended in recent work focusing on small, family-controlled enterprises (Calabrò et al., 2021).

In the context of the COVID-19 pandemic, Soluk et al. (2021) empirically demonstrated that adaptive strategies—such as digitization, resource fluidity, and agile leadership—allowed family businesses in Germany to weather prolonged shutdowns. Similarly, Schwaiger et al. (2022) observed in Austrian family-owned hospitality firms that those with flexible decision-making frameworks and emotionally intelligent leaders were significantly more adaptive and resilient. These empirical findings align with the present review's conclusion that adaptive capacity acts as a dynamic and multidimensional mediator that transforms vulnerability into recoverability.

To contextualize this literature review, it is helpful to compare the findings with eight prior empirical studies: Bejarano et al. (2021) explored Colombian family SMEs during COVID-19 and found that dynamic capabilities, such as real-time market sensing and operational reconfiguration, enhanced resilience. Similar to this review's findings, the study emphasized the mediating effect of internal capabilities—particularly those embedded in family governance structures. Iborra et al. (2024) studied traditional versus progressive Spanish family firms and found that a culture of learning and flexibility—hallmarks of adaptive capacity—determined whether tradition served as a resilience resource or a constraint. This complements the current review by highlighting intra-family variability as a determinant of adaptability.

Brunelli et al. (2023) analyzed business model innovation among Italian family SMEs and found that firms with high absorptive capacity were more likely to pivot their offerings and survive the crisis. This parallels the review's assertion that innovation is a core pathway through which adaptive capacity manifests. Lo et al. (2021) showed that resilience in Hong Kong-based SFBs was strongly influenced by decision speed and the presence of a next-generation leadership cohort. The study aligns with the current findings that generational heterogeneity enhances adaptive responsiveness through digital fluency and strategic risk-taking.

Ciasullo et al. (2022) emphasized the importance of co-innovation and big data in building adaptive capabilities in family SMEs. Their findings resonate with the reviewed literature that emphasizes relational capital—both internal (family cohesion) and external (supplier and customer networks)—as essential to resilience. Da Silva et al. (2022) examined leadership traits in Brazilian hybrid organizations and found that emotional resilience and flexibility among

family leaders was essential to adaptive change. This supports the review's interpretation that leadership style is a core axis of adaptive capacity.

Liu and Nazareno (2024) analyzed the effects of government interventions on post-pandemic recovery among Southeast Asian SFBs and found that adaptive capacity was amplified when firms had access to state support and institutional resources. This finding reinforces the review's argument that contextual conditions interact with internal capabilities in shaping adaptive outcomes. Conz et al. (2020) explored family firm resilience in Italy using a phenomenographic approach. They argued that resilience is practiced, not possessed—a dynamic built over time through experience and reflection. This matches the processual understanding of adaptive capacity in this review, which emphasizes continuous learning and resource recombination. Collectively, these studies corroborate the notion that adaptive capacity is not merely an enabler of resilience but the critical pathway through which resilience is achieved, particularly in family-controlled SMEs.

Socioemotional Wealth and Resilience. A unique contribution of family business literature is the concept of socioemotional wealth (SEW)—the affective endowments that family firms strive to preserve (Gómez-Mejía et al., 2018). This review found that SEW often motivates long-term, non-financial decision-making, which paradoxically contributes to both vulnerability and resilience. While over-attachment to tradition may inhibit rapid adaptation (Iborra et al., 2024), SEW can also promote trust-based decision-making, intergenerational cooperation, and employee loyalty during crises (Calabrò et al., 2021). Thus, the review suggests that SEW moderates adaptive capacity: it can either enable or constrain resilience depending on whether it is expressed as emotional rigidity or relational cohesion.

Leadership and Generational Dynamics. Leadership emerges in the literature as a key component of adaptive capacity. In particular, transformational and participatory leadership styles are repeatedly linked to higher resilience outcomes in SFBs (Da Silva et al., 2022; Schwaiger et al., 2022). The review also reveals that generational diversity—especially the involvement of younger family members—introduces digital competencies and risk tolerance, thereby expanding the firm's capacity for strategic adaptation (Lo et al., 2021; Soluk et al., 2021). Furthermore, family firms with shared decision-making structures appear more adaptive due to collaborative governance, which enhances flexibility and responsiveness under uncertainty (Bejarano et al., 2021).

Innovation and Digital Transformation. The role of innovation—both technological and organizational—is a recurring theme in the literature. Brunelli et al. (2023) and Soluk et al. (2021) highlight that business model innovation and digital transformation were critical to SFBs' survival during COVID-19. This review supports the claim that innovation is not merely an outcome of resilience but a driver of adaptive capacity. The findings also suggest that family firms that had previously invested in absorptive capacity—i.e., the ability to recognize and apply new knowledge—were better equipped to implement innovative practices during crises (Linnenluecke, 2017; Ciasullo et al., 2022).

Social and Relational Capital. Another key dimension of adaptive capacity identified in the literature is the importance of relational capital. In times of crisis, strong ties to employees, customers, suppliers, and local institutions served as resilience buffers (Conz et al., 2020; Liu & Nazareno, 2024). The embeddedness of family firms in their communities often provided both tangible (credit access, local support) and intangible (trust, reputation) resources that

aided in recovery. This suggests that adaptive capacity is not solely an internal trait but a networked capability, shaped through social interactions and institutional relationships.

Contextual Embeddedness. The literature confirms that adaptive capacity is highly context-dependent. As Liu and Nazareno (2024) argue, access to institutional support—such as stimulus packages, tax relief, or business advisory services—can significantly enhance a firm's adaptive capacity. Similarly, sectoral and geographical differences influence exposure to shocks and recovery potential (Lo et al., 2021).

In developing economies, where institutional voids are more common, internal resilience mechanisms such as resource improvisation and family solidarity become even more critical (Bejarano et al., 2021). This underscores the need for multi-level frameworks that account for the interplay between micro-level firm characteristics and macro-level environmental conditions.

Toward a Processual Understanding of Resilience. An important theoretical implication is the movement away from viewing resilience as a static capacity. Instead, this review, in line with Conz et al. (2020) and Linnenluecke (2017), positions resilience as a processual phenomenon, enacted through adaptive learning, iteration, and reflection.

This dynamic perspective also aligns with practice theory in family business research, which views organizational capabilities as evolving through interaction, conflict resolution, and meaning-making among family members (Gómez-Mejía et al., 2018; Calabrò et al., 2021).

Practically, the findings suggest that family businesses should invest in building adaptive capacities before crises occur, including: Developing digital infrastructure and training, Encouraging intergenerational collaboration, Formalizing governance to facilitate agile decision-making, Building external partnerships and community ties. Policymakers, in turn, should recognize the distinctive vulnerabilities and strengths of SFBs by designing support mechanisms that bolster not just financial resilience but also learning and adaptive infrastructures, particularly in rural or underserved areas (Liu & Nazareno, 2024).

5. Conclusions

This qualitative literature review examined how adaptive capacity mediates the relationship between systemic shocks and resilience in small family businesses (SFBs). Through the synthesis of current empirical and theoretical literature, this study found that resilience in SFBs is not a static trait but a dynamic, processual capability that is significantly enhanced by adaptive capacity. Adaptive capacity manifests through several interrelated mechanisms: flexible leadership, generational collaboration, innovation, relational capital, and socioemotional wealth. When these mechanisms are effectively mobilized, they enable SFBs to absorb shocks, adapt strategies, and transform their business models in response to crises.

The review also highlighted that family firms' unique characteristics—such as emotional attachment, long-term orientation, and family cohesion—can either foster or hinder adaptive capacity. For example, intergenerational collaboration may enhance digital readiness and innovative thinking, while emotional rigidity or resistance to change may limit responsiveness. Additionally, the firm's embeddedness in social and institutional networks further influences the degree to which adaptive capacity translates into resilience.

Overall, the findings underscore the need to view adaptive capacity as the critical mediating link in the resilience process. This suggests that interventions aimed at strengthening adaptive capacities—such

as leadership development, digital transformation, and knowledge-sharing practices—are vital for preparing SFBs to survive and thrive in the face of future systemic shocks.

LIMITATION

While this study contributes to a deeper understanding of resilience in family-owned SMEs, several limitations should be acknowledged. **Scope of Literature Reviewed:** The study focused primarily on literature from the last five to seven years, particularly research published during or after the COVID-19 pandemic. While this ensures relevance, it may overlook valuable insights from earlier foundational work on family business resilience and systems theory. **Language and Publication Bias:** Only English-language, peer-reviewed sources were included. This may exclude important studies published in other languages or in practitioner-oriented publications, particularly from non-Western contexts where family businesses operate under different institutional logics.

Lack of Primary Empirical Data: As a literature review, this study does not include original fieldwork or interviews. Therefore, while it identifies patterns and theoretical linkages, it cannot offer context-specific insights or test causal relationships between adaptive capacity and resilience. **Contextual and Cultural Diversity:** Although the review included studies from various geographical contexts (e.g., Europe, Asia, Latin America), it does not provide a systematic cross-cultural comparison. The mediating role of adaptive capacity may vary depending on cultural values, regulatory environments, and family dynamics, which requires further empirical investigation.

Focus on Successful Cases: Much of the existing literature disproportionately focuses on resilient or surviving family firms, potentially leading to a survivorship bias. This limits our understanding of why some family businesses fail to adapt or collapse under systemic shocks, which is equally important for a complete theoretical model.

To address these limitations, future research should: Conduct cross-national comparative studies on how adaptive capacity is shaped by cultural, institutional, and sectoral differences; Explore adaptive failure and organizational rigidity in family firms that did not survive systemic shocks; Incorporate longitudinal designs to understand how resilience evolves over time within family enterprises; Utilize mixed-methods approaches that combine qualitative case studies with quantitative modeling to test and validate the mediating effects of adaptive capacity.

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