THE FAMILY TIES THAT BIND: ESSAYS THAT EXAMINE AND EXTEND THE MICROFOUNDATIONS OF SOCIOEMOTIONAL WEALTH THEORY

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DEDICATION

To my amazing wife, Meredith, whose unwavering love, support, and encouragement helped turn this crazy idea of getting a Ph.D. into a reality.

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ABSTRACT

In this dissertation, I examine and extend the microfoundations of socioemotional wealth (SEW) theory. While burgeoning research finds that a focus on SEW, or a controlling family's stock of nonfinancial and affective utilities in a firm, predicts unique family firm outcomes, we know surprisingly little about emotion and family dynamic's assumed causal roles in these unique outcomes. I address these theoretical needs with five related essays. In the first essay, I review the extant SEW literature, identifying unexamined cognitive, affective, motivational, and social assumptions in theoretical arguments and integrating psychological research to offer new directions for studying the microfoundations of SEW Theory. In the second essay, I build multilevel theory on emotion's role in the family's SEW preservation decisions, articulating how emotion at the individual level can impact family-level dynamics and decision making processes intended to preserve SEW. In the third essay, I examine how experimental approaches to testing and extending individual-level theoretical relationships built on SEW tenets can provide insightful contributions to the literature. In the fourth essay, I integrate socioemotional wealth theory with socioemotional selectivity theory in efforts to reconcile paradoxical findings in the literature about SEW's relation with time. In the fifth essay, I use Kauffman Firm Survey data to examine SEW's role in addressing the liability of newness in new family-controlled ventures. In the aggregate, this dissertation offers some of the first studies that theoretically and empirically integrate psychological understanding of family members' emotions and goal pursuits into SEW. Implications from this dissertation are positioned to challenge broader management research while also advancing family business research beyond a homogenous view of family firms vs. non-family firms to an understanding of heterogeneity within and between family firms.

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INTRODUCTION

"Do family firms really behave differently from nonfamily firms? If so, how and why are they different?" (Chrisman, Chua, & Sharma, 2005: 567). For over three decades, research addressing these questions has increasingly moved family firm scholarship toward a theory of the family firm (Chrisman et al., 2005; Gómez-Mejia, Cruz, Berrone, & De Castro, 2011). Recognizing that both family and firm systems need to be taken into account (Gómez-Mejia et al., 2011; Sharma, 2004), researchers generally agree that this theory must explain how and why family members' nonfinancial goal pursuits through the firm lead to (a) emotionally charged strategic decisions and (b) unique strategic outcomes that not only separate the behaviors of family firms from nonfamily firms but that also distinguish how family firms differ from one another (See Berrone, Cruz, & Gómez-Mejia, 2012; Chrisman, Chua, Pearson, & Barnett, 2012; Chrisman et al., 2005; Gómez-Mejia et al., 2011; and Sharma, 2004 for reviews on family firm theory development).

Positioned to meet these longstanding theoretical needs, Socioemotional Wealth (SEW) theory posits that family members pursue particularistic nonfinancial goals through the firm – such as passing the business onto the next generation, maintaining a positive family reputation, or building a family legacy – that contribute to SEW, or family members' stock of nonfinancial and emotional benefits through the firm (Gómez-Mejía, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007). For family members, diffuse family and firm boundaries often make SEW intrinsically more valuable than financial aspects of the family firm (Berrone et al., 2012; Gómez-Mejia et al., 2011). Consequently, family firms differ from nonfamily firms because financial wealth maximization is not the main decision reference point. Instead, family firm

decisions can be both risk seeking or risk averse depending on changes in family members' SEW (Berrone et al., 2012; Gómez-Mejia et al., 2007).

SEW theory proposes that psychological factors, such as emotions, goals, and social interactions, play important causal roles in the unique strategic decisions and outcomes that often characterize family firms (Berrone et al., 2012; Gómez-Mejia et al., 2011; Zellweger, Kellermanns, Chrisman, & Chua, 2012). However, the extant family firm literature's traditional focus on strategic concerns at the expense of not understanding family concerns often leaves specific theoretical antecedents and processes confounded (Berrone et al., 2012). At a general level, SEW theorists suggest that when family members experience a SEW threat, which is believed to deplete family members' stock or flow of SEW below an acceptable threshold, ensuing emotions and family dynamics will lead to unique SEW preservation decisions (Berrone et al., 2012; Chrisman & Patel, 2012; Chua, Chrisman, & De Massis, 2015; Gómez-Mejia et al., 2011). Yet, despite these assumptions, explicit understanding of how or why this happens remains unclear. For example, Berrone (2012: 279) and colleagues point out that, despite emotion's crucial role in SEW theory, "current family business literature is unable to explain how feelings and emotions affect the formation of SEW and how they affect the functioning of the family and the firm." Similarly, a focus on the strategic outcomes of family's goals leaves family firm scholars uncertain about how, why, and when family members make decisions based on different goals (Chrisman & Patel, 2012). Consequently, several scholars have called for more research that examines the microfoundations, or the cognitive, affective, motivational, and social factors underpinning unique SEW preservation decisions, of family firm behavior (Berrone et al., 2012; Jiang & Munyon, 2016; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015).

Addressing the theoretical puzzles mentioned above, this dissertation is focused on

motivating and building the microfoundations of unique family firm behaviors and phenomena. More specifically, through five essays, I begin to unlock important theoretical, methodological, and empirical insights about scholarly puzzles concerning family members' socioemotional wealth. The implications from each of these essays are intended to help move SEW theory forward and open family firm research to more psychological and organizational behavior based perspectives for understanding SEW in family firm contexts.

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ESSAY 1

WHAT'S SOCIAL OR EMOTIONAL ABOUT SOCIOEMOTIONAL WEALTH? AN INTEGRATIVE REVIEW AND RESEARCH AGENDA TO EXTEND THE MICROFOUNDATIONS OF FAMILY FIRM BEHAVIOR

Disclosure: This essay is the first draft of a paper that currently has been offered an invitation to revise and resubmit to *Family Business Review*. The original ideas, development, and writing for this essay were all my own work. My coauthors/dissertation co-chairs (Franz Kellermanns and Lane Morris) helped edit and refine the original manuscript before submission.

ABSTRACT

As an emerging theory of the family firm, Socioemotional Wealth (SEW) Theory assumes that family members' cognitions, emotions, goals, and social behaviors impact firm activities and outcomes. However, the majority of SEW research only examines unique family firm outcomes, leaving the family's microfoundational causes unexamined and confounded. This paper presents a systematic review of micro assumptions supporting the SEW literature. I identify psychological phenomena in SEW theoretical arguments, which virtually remain empirically unexamined and untested, and integrate principals from psychological research on goal systems in efforts to provide initial paths for a richer and more fluid understanding of family members' roles in SEW Theory's key tenets. Consequently, I identify important gaps in our understanding of SEW behaviors, provide psychological principles that can aid these types of investigations, and offer new avenues for future research that can not only extend the psychological microfoundations of family firm behavior but that can also be used to challenge commonly held psychological assumptions in broader management theories.

The belief that diffuse boundaries between family and firm systems in family firms ultimately leads family members' emotions, goals, and behaviors to impact firm activities has long motivated family firm scholarship to move toward a theory of the family firm (Gómez-Mejia, Cruz, Berrone, & De Castro, 2011). Although scholars maintain that there are reciprocal relationships between family and firm systems, efforts to build momentum for this overarching theory have generally held the family constant to first develop supporting evidence for family firms' unique strategic outcomes (Chrisman, Chua, & Sharma, 2005). Building on and integrated over three decades of family firm research, Socioemotional Wealth (SEW) Theory (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007) represents the pinnacle of the field's collective theoretical efforts (Berrone, Cruz, & Gómez-Mejía, 2012). More specifically, SEW theory proposes that family firms differ from nonfamily firms because family members (1) use their SEW endowment rather than financial endowment as the dominant decision reference point (2) frame decision alternatives as either gains of losses in SEW and (3) are generally risk averse when facing SEW gains and risk-seeking when facing SEW losses (Gómez-Mejía et al., 2007). However, because SEW Theory is built on the extant strategy-focused literature, it also inherits limited understanding of the family's underlying behaviors.

SEW scholarship often employs broad assumptions about family members' cognition, affect, motivation, and social behavior to support numerous arguments that are inherently dynamic and cross multiple levels of analysis (Jiang & Munyon, 2016). However, a prime focus on the firm often leads to ambiguous and confounding prescriptions, fueling uncertainty about how family decision-makers actually think, feel, and act in the face of SEW threat. While these issues can be investigated from several theoretical backgrounds (economics, sociology, psychology), my research objective here is to explore the black box underpinning SEW related

strategic outcomes by integrating psychological research. I believe that this approach has the greatest potential for advancing new understanding of SEW and providing profound future research directions for the microfoundations of family firms.

In the aggregate, this review aims to build the family firm literature's psychological microfoundations, defined as family members' affective, cognitive, motivational, and social causal factors driving unique family firm phenomena and outcomes (Jiang & Munyon, 2016). More specifically, using goal systems research, I show how psychological approaches to SEW within and between family firm members can not only be used to extend family firm research but can also be used to challenge commonly held assumptions in broader management theories. This review therefore documents issues in current micro-assumptions supporting SEW theory tenets and suggests how psychological principles and research related to goal systems can address these issues. Concluding these points, I offer new understanding and impactful future research avenues for family firm and broader management literatures.

THEORY

Since SEW Theory's inception, scholars have built arguments about unique family firm strategic phenomena on broad underlying assumptions about controlling family members' cognition (e.g. thoughts, orientations, decisions), affect (e.g. emotions, feelings, attachments), motivation (e.g. goals, motives, incentives), and social behavior (family member interactions with each other, non-family members, and external stakeholders). Yet, very little research actually examines the causes underpinning unique family firm strategic outcomes, leaving many of SEW's microfoundational arguments unexamined (Morris & Kellermanns, 2013; Zellweger, Kellermanns, Chrisman, & Chua, 2012) and open to several problems concerning cause and effect (Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015). In this regard, many

scholars (e.g. Berrone et al., 2012; Chrisman & Patel, 2012, Gómez-Mejía et al., 2011; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015; Zellweger et al., 2012) have found that while family control and involvement in management of a firm helps us infer that family causes unique strategic behavior, it leaves us uncertain how, why, when, and in what ways family members actually cause unique strategic outcomes. Consequently, more psychological and organizational behavior research from a SEW theoretical perspective is needed to understand how the family side of the family firm equation drives the firm side's unique outcomes.

SCOPE OF THE REVIEW

Databases from business and the social sciences (i.e. EBSCO, JSTOR, ProQuest, and Google Scholar) were used to identify journal publications that cited Gómez-Mejía and colleague's (2007) seminal paper on SEW. Sources were identified if one of the terms *socioemotional wealth* or *socio-emotional wealth* was used in the title, abstract, and/or was a major part of the literature review and hypothesis development. Searching the titles and abstracts helped identify 38 journal articles. An additional four articles were identified because SEW formed a key part of the literature review and hypothesis development. The papers that did not include SEW in the title or abstract but used the SEW concept in the majority of their theory and hypothesis development (e.g, Gómez-Mejía et al., 2010; Jones et al., 2008, and Miller et al., 2014) primarily examined SEW through a behavioral agency model perspective.

Once SEW articles were identified, a four step process was used to code information in the articles. First, I noted general information about the article. This information included the authors' names, publication year, and journal name. Second, I read the literature review and hypothesis development sections in each article to identify language in the authors' theoretical arguments that were consistent with one or more of the following four categories of

psychological assumptions: Cognitive Assumptions, Affective Assumptions, Motivational Assumptions, and Social Assumptions. These four categories were chosen to reflect types of psychological theories that can be mapped onto or integrated with one or more of SEW theory's main tenets. A SEW paper was coded as having cognitive assumptions if the authors mentioned cognitive relationships such as family members' strategic decision-making processes, decision frames, thoughts, or orientations. Papers were coded as having affective assumptions if the authors developed arguments about topics such as emotions, affect, emotional ties, feelings, or attachments while leading up to their hypotheses. Motivational assumptions were identified when authors mentioned ideas such family members' goals, goal conflicts, incentives, motives/motivations in the arguments leading to hypotheses. Finally, social assumptions were identified when authors developed arguments about family member interactions with each other, nonfamily members, and external stakeholders and/or one group's social perceptions of another (e.g. arguments about reputation or legitimacy). Third, I recorded the type of article (empirical, theoretical, review, or commentary) and focus of the research (the main thesis or central argument) and the nature of the data (archival vs. primary data, IVs and DVs), if any. Finally, I examined the recorded and coded information from my review to determine common trends in SEW research that could be juxtaposed and integrated with assumptions in psychological goal systems in ways that can extend the microfoundations of SEW theory.

The 42 articles in this review span from 2007 to 2016, and are comprised of 2 review articles, 5 theory articles, 29 empirical articles, and 6 commentary articles. The articles appear in 16 journals across several disciplines that include family firm-specific journal outlets such as *Family Business Review* and *Journal of Family Business Strategy,* Entrepreneurship outlets such as *Entrepreneurship: Theory and Practice* and *Journal of Business Venturing,* big-tent

management journals such as *Academy of Management Journal*, *Administrative Science Quarterly*, and *Organization Science,* and accounting outlets such as *European Accounting Review*. Table 1.1 presents the article counts by discipline and journal while Table 1.2 further expands on the focus, characteristics, key findings, and underlying micro assumptions of the 42 SEW articles in this review.

Cognitive Assumptions

Cognitive assumptions played very crucial roles not only in building the Behavioral Agency Model – the theoretical lens from which SEW Theory was developed - but also in the original article that introduced SEW. Indeed, in the discussion section of their seminal article on SEW, Gómez-Mejía and colleagues (2007:132) suggest that cognitive biases tied to SEW factors can potentially explain unique family firm outcomes because "family executives may engage in self-delusion or believe that they have more control over the situation than they really have, thereby failing to gauge the true risks involved." Moreover, although there are strong cognitive psychology tenets about framing effects and bias in prospect theory, which has historically been an important overarching theoretical influence in SEW arguments (Chua et al., 2015; Zellweger et al., 2012), family firm research does not generally examine the framing effects but instead largely assumes them to be constant. For example, in their investigation of myopic loss aversion in SEW goals, Chrisman and Patel (2012) argue that "the difference in framing determines whether long-term investments in R&D are attractive, thereby creating alignment or misalignment between the economic and noneconomic goals a family hopes to achieve through firm ownership and control" but also note that their research approach that uses archival data is not able to address these cognitive frames or directly understand cognitive aspects of goal

TABLE 1.1
SEW Articles By Discipline and Journal

Disciplines and Journals	Number of Articles	Review	Theory	Empirical	Commentary
Accounting	1	0	1	0	0
European Accounting Review	1	0	1	0	0
Business	2	0	0	2	0
Journal of Business Ethics	1	0	0	1	0
Journal of Product Innovation Management	1	0	0	1	0
Entrepreneurship	15	0	2	7	6
Entrepreneurship and Regional Development	1	0	0	1	0
Entrepreneurship Theory and Practice	12	0	2	4	6
Journal of Business Venturing	1	0	0	1	0
Small Business Economics	1	0	0	1	0
Family Business	10	1	2	8	0
Family Business Review	6	1	1	4	0
Journal of Family Business Strategy	4	0	1	4	0
Management	14	1	0	12	0
Academy of Management Annals	1	1	0	0	0
Academy of Management Journal	1	0	0	0	0
Administrative Science Quarterly	2	0	0	2	0
Journal of Management	1	0	0	1	0
Journal of Management Studies	5	0	0	5	0
Strategic Management Journal	2	0	0	2	0
Organization Science	2	0	0	2	0
Total	42	2	5	29	6

TABLE 1.2
Micro Assumptions Supporting Current SEW Research Arguments

	Overview of Current Socioemotional Wealth Research					Types of Micro Assumptions Supporting Arguments			
Authors and Journal	Focus	Data Approach	IVs	DVs	Findings/Implications	Cognitive	Affective	Motivational	Social
Berrone et al. (2012) *Fam. Bus. Rev.*	Measuring SEW	Conceptual (Review)			Proposal of the SEW FIBER scale	X	X	X	X
Berrone et al. (2010) *Admin. Sci. Quart.*	SEW's impact on pollution	Quantitative (Regression on Archival Data)	Family Control Community Roots CEO status CEO stock	Environmental Performance	Family firms pollute less than non-family firms		X	X	X
Cennamo et al. (2012) *Entrep. Theory & Prac.*	SEW and proactive stakeholder engagement	Conceptual (Theory)	SEW FIBER Dimensions	Proactive Stakeholder Engagement (Internal & External)	Proactive stakeholder engagement in family firms can be attributed to the family's different references points	X	X	X	X
Chrisman & Patel (2012) *Acad. Management J.*	Long-term SEW orientation and R&D investment	Quantitative (Regression on Archival Data)	Family Control Family Involvement Performance Gaps	R&D Investment R&D Variability	Family firms invest less but have greater variability in R&D than non-family firms	X	X	X	X
Chua et al. (2015) *Entrep. Theory & Prac.*	SEW stocks and flows	Conceptual (Commentary)			More research needs to explore SEW stocks and flows; prospect theory is an useful umbrella theory for SEW	X	X	X	X
Cruz et al. (2012) *J. Bus. Venturing*	SEW and family labor in SMEs	Quantitative (Regression on Survey Data)	Family Employment	Firm Performance (Sales Growth & Profitability)	Employing family members increases sales but decreases profitability for SMEs			X	X
Cruz et al. (2014) *Entrep. Theory & Prac.*	SEW and CSR	Quantitative (Regression on Archival Data)	Family Control CSR Standards Industry Declin. Performance	Social Practices Relative to Stakeholders (Internal & External)	SEW has a positive effect on social dimensions linked to external stakeholders but a negative effect on internal social dimensions		X		X

TABLE 1.2. Continued

Authors and Journal	Overview of Current Socioemotional Wealth Research					Types of Micro Assumptions Supporting Arguments			
	Focus	Data Approach	IVs	DVs	Findings/Implications	Cognitive	Affective	Motivational	Social
Deephouse & Jaskiewicz (2013) *J. Management Stud.*	SEW, social identity, and reputation	Quantitative (Regression on Archival Data)	Family Name Family Ownership Family on Board	Firm Reputation	Family control and family name in the firm's name is associated with higher firm reputation	X	X	X	X
DeTienne & Chirico (2013) *Entrep. Theory & Prac.*	SEW and family firm owners' exit strategies	Conceptual (Theory)	SEW Level	Exit Strategy (Stewardship vs. Agency Strategy)	Higher SEW negatively affects the family's performance threshold, which mediates relationships between family firm factors and exit strategies	X	X	X	X
Goel et al. (2013) *Entrep. & Reg. Develop.*	Empathy and SEW salience	Quantitative (Regression on Archival Data)	CEO Empathy	SEW Salience	External directors can have a direct and moderating influence on the relationship between family CEO empathy and SEW salience	X	X	X	X
Gómez-Mejía et al. (2014) *Entrep. Theory & Prac.*	SEW and R&D investments	Quantitative (Regression on Archival Data)	Family Firm Institutional Owners Diversification Performance Hazard	R&D Investment	SEW can lead family firm investments in R&D to be a mixed gamble	X		X	X
Gómez-Mejía et al. (2014) *Eur. Account. Rev.*	Financial reporting and SEW preservation	Conceptual (Theory)	Family Control Family Identity	Earnings Manage. Volunt. Disclosure	Family control and family identification can impact accounting in family firms				X
Gómez-Mejía et al. (2011) *Acad. Management Annals*	SEW preservation in family firms	Conceptual (Review)			SEW preservation influences several strategic outcomes and firm performance	X	X	X	X

TABLE 1.2. Continued

Authors and Journal	Overview of Current Socioemotional Wealth Research					Types of Micro Assumptions Supporting Arguments			
	Focus	Data Approach	IVs	DVs	Findings/Implications	Cognitive	Affective	Motivational	Social
Gómez-Mejía et al. (2007) *Admin. Sci. Quart.*	SEW, family control, and family firm risk-taking	Quantitative (Survival Analysis on Archival Data)	Family Owned Family Stage Continued Control Venturing Risk Prob. of Failure	Loss of Control Perform. Hazard Target Achieve.	Family firms' primary reference point is their loss of SEW, and to avoid these losses, they are willing to accept significant performance risks.	X	X	X	X
Gómez-Mejía et al. (2010) *J. Management Stud.*	SEW and corporate diversification	Quantitative (Regression on Archival Data)	Family Firm	Diversification Int'l Diversificat.	Family firms diversify less both domestically and internationally than nonfamily-firms	X			X
Gómez-Mejía et al. (2015) *J. of Management*	SEW and firm acquisitions	Quantitative (Regression on Archival Data)	Family Control	Acquisitions	Family firms are reluctant to acquire other firms but when they do acquire, they prefer related targets	X		X	X
Hauck & Prugl (2015) *J. Fam. Bus. Strat.*	SEW and innovation activities during succession	Quantitative (Regression on Survey Data)	Family Adaptability Intergen. Authority Family Closeness Firm Age Social Ties	Succession Suitability	Family closeness to the firm is positively associated with innovation in succession while intergen. authority and firm age are negatively associated	X	X	X	X
Jones et al. (2008) *Entrep. Theory & Prac.*	SEW, affiliate directors on the board and product diversification	Quantitative (Regression on Archival Data)	Affiliate Directors on Board	Product Diversification	Affiliate directors play different roles in boards of family firms than nonfamily firms	X		X	X
Kellermanns et al. (2012) *Entrep. Theory & Prac.*	Stakeholders, emotion, and the darkside of SEW	Conceptual (Commentary)	Family Norms Neg. Valence SEW	Proactive Stakeholder Engagement	Family firms can partake in harmful stakeholder behaviors despite having strong SEW	X	X	X	X

TABLE 1.2. Continued

Authors and Journal	Overview of Current Socioemotional Wealth Research					Types of Micro Assumptions Supporting Arguments			
	Focus	Data Approach	IVs	DVs	Findings/Implications	Cognitive	Affective	Motivational	Social
Kotlar et al. (2013) *J. Prod. Innov. Manag.*	Behavioral approach to technology acquisition	Quantitative (Regression on Survey Data)	Neg. Perform. Feedback Family Management	Technology Acquisition	Family firms are reluctant to acquire technology but are willing when more protection (e.g. patents) exists	X		X	
LaBelle et al. (2015) *J. Bus. Ethics*	SEW and corporate social performance	Quantitative (Regression on Archival Data)	Family Control Stakeholder Orientation	Corp. Social Performance	At lower levels of family control, family firms invest more in social initiatives to protect their SEW	X	X		X
Le Breton-Miller & Miller (2013) *Entrep. Theory & Prac.*	SEW lifecycle	Conceptual (Commentary)			Different types of family involvement shapes SEW priorities over the firm lifecycle	X	X	X	X
Leitterstorf & Rau (2014) *Strat. Management J.*	SEW and IPO pricing of family firms	Quantitative (Regression on Archival Data)	Family Firm	IPO underpricing	On average, family firms are 10 percentage points underpriced in IPOs than non-family firms	X		X	X
Miller et al. (2013) *Organ. Sci.*	SEW and family firm strategic conformity	Quantitative (Time Series Analysis on Archival Data)	Family Control Family Involvement Generations Involved	Strategic Conformity	Family involvement is related to greater, rather than lesser, strategic conformity	X	X	X	X
Miller & Le Breton-Miller (2014) *Entrep. Theory & Prac.*	Conceptual and methodological challenges in SEW	Conceptual (Commentary)			SEW research has utility for explaining diverse outcomes but problems with cause and effect	X	X	X	X
Miller et al. (2014) *J. Management Stud.*	Non-family CEO performance in family firms	Quantitative (Regression on Archival Data)	Non-family CEO	Firm Performance	Non-family CEOs in family firms outperform when family monitors them or they are not co-CEOs		X	X	X

TABLE 1.2. Continued

Authors and Journal	Overview of Current Socioemotional Wealth Research					Types of Micro Assumptions Supporting Arguments			
	Focus	Data Approach	IVs	DVs	Findings/Implications	Cognitive	Affective	Motivational	Social
Morgan & Gómez-Mejía (2014) *J. Fam. Bus. Strat.*	SEW and emotions	Conceptual (Theory)	Succession HR policies Stakeholder Relation	Family Firm Emotions	More research is needed to understand SEW's emotion antecedents and outcomes	X	X	X	X
Naldi et al. (2013) *Entrep. Theory & Prac.*	The effects of SEW in different industry contexts	Quantitative (Regression on Archival Data)	Family CEO	Firm Performance	Family CEOs are an asset in industrial contexts but a liability in stock exchange contexts	X		X	X
Patel & Chrisman (2014) *Strat. Management J.*	SEW and risk abatement	Quantitative (Regression on Archival Data)	Risk Abatement Functions	Sales	Family firms make R&D investments that lead to more reliable/less risky sales levels	X		X	
Pazzaglia et al. (2013) *Fam. Bus. Rev.*	SEW, earning quality, and firm acquisition	Quantitative (Regression on Archival Data)	Acquired Fam. Firm Family CEO	Earnings Quality	Family firms' earnings quality benefits from a non-family CEO when acquired and a family CEO when not acquired	X		X	X
Perry et al. (2015) *Fam. Bus. Rev.*	SEW and selection of trusted non-family advisors	Quantitative (Regression on Survey Data)	SEW Emphasis Firm Age	Trusted Advisor	SEW vs. financial wealth emphasis determines if professional or family advisors are trusted most	X	X	X	X
Schepers et al. (2014) *Small Bus. Econ.*	SEW, entrepreneurial orientation, and performance	Quantitative (Regression on Mixed Survey/ Archival Data)	Entrep. Orientation	Firm Performance	High levels of SEW dampen the EO-firm performance relationship	X		X	X

TABLE 1.2. Continued

Authors and Journal	Overview of Current Socioemotional Wealth Research					Types of Micro Assumptions Supporting Arguments			
	Focus	Data Approach	IVs	DVs	Findings/Implications	Cognitive	Affective	Motivational	Social
Schulze & Kellermanns (2015) *Entrep. Theory & Prac.*	Approaches to measure and extend SEW research	Conceptual (Commentary)			Issues related to firm control and where and within whom SEW resides complicates SEW measurement	X	X	X	X
Sciascia et al. (2014) *J. Fam. Bus. Strat.*	SEW and generational stage	Quantitative (Regression on Archival Data)	Family Management Generational Involvement	Profitability	Family management is positively related to profitability in later generation family firms	X		X	X
Stockmans et al. (2010) *Fam. Bus. Rev.*	SEW and earnings management	Quantitative (Regression on Survey Data)	Generational Phase CEO Position Non-family in TMT	Upward Earnings Management	SEW can play an important role in upward earnings management when performance is poor	X		X	X
Strike et al. (2015) *J. Management Stud.*	SEW, family CEO career horizons and acquisitions	Quantitative (Regression on Archival Data)	CEO Career Horizon Family Firm	Int'l Acquisitions	Family firm CEOs near retirement acquire larger and culturally closer targets than non-family firm CEOs	X		X	X
Vandekerkhof et al. (2015) *Fam. Bus. Rev.*	Organizational characteristics and non-family TMT appointments	Quantitative (Regression on Survey Data)	Innovativeness Internationalization Firm Size	Non-family Managers in TMT	Positive firm characteristics effects on non-family inclusion in TMT decreases when SEW becomes more important	X	X	X	X
Vardaman & Gondo (2014) *Entrep. Theory & Prac.*	SEW conflict	Conceptual (Commentary)			Families prioritize aspects of SEW internal to family but external threats change these priorities	X			X

TABLE 1.2. Continued

Authors and Journal	Overview of Current Socioemotional Wealth Research					Types of Micro Assumptions Supporting Arguments			
	Focus	Data Approach	IVs	DVs	Findings/Implications	Cognitive	Affective	Motivational	Social
Zellweger & Dehlen (2012) *Fam. Bus. Rev.*	SEW and affect infusion	Conceptual (Theory)	Affect	Perceived Value of Firm Control	Affect infusion in firm ownership impacts perceived value of the firm	X	X	X	X
Zellweger et al. (2012) *Organ. Sci.*	SEW, succession intentions, and perceived firm value	Quantitative (Regression on Survey Data)	Extent of Ownership Duration of Owner. Inter-gen. Intentions	Perceived Value of the Firm	Trans-generational intentions increases the acceptable selling price for family owners	X	X	X	X

structures. Consequently, there is a very crucial need for more direct assessments of cognitive decision frames and *changing* attitudes toward SEW goals (Zellweger et al., 2012).

Affective Assumptions

When examining the SEW literature, it quickly becomes apparent that family firm scholars heavily rely on dynamic assumptions about affect, emotion, and emotional attachments to and through the firm to build their SEW arguments. Yet, scant research actually directly measures or addresses the complex intricacies of affect and emotions that many SEW researchers propose. Indeed, while the majority of SEW research mentions that emotions or affect is important in one way or another, only five articles in the current SEW literature spend a significant amount of effort developing arguments about emotion (i.e. Goel et al., 2013; Kellermanns et al., 2012; Morgan & Gómez-Mejía, 2014; Zellweger & Dehlen, 2012; Zellweger et al., 2012).

In their theoretical article that incorporates research on affect infusion (cf. Forgas, 1995), Zellweger and Dehlen (2012) arguably offer one of the most thorough understandings of emotion and social contexts' roles in SEW. Morgan and Gómez-Mejía (2014) also offer a theoretical perspective for integrating emotion into SEW. However, while these authors review various perspectives on emotion in management research, they ultimately conclude with an open assumption that emotions generally impact aspects of family firm strategic outcomes related to strategic decisions, organizational governance, and business venturing. Similarly, while Zellweger and colleagues (2012) devote a significant amount of effort developing arguments about family CEOs' emotional attachment to the firm in their work concerning the relationship between transgenerational succession intentions and business valuation in SEW theory, firm-level proxies were used and affective relationships were not directly measured. Across the SEW

literature, Goel and colleagues (2013) are therefore the only authors that I am aware of thus far that have employed an emotion measure in an empirical examination of SEW. As Berrone et al. (2012, 269) point out, "despite the relevance of emotions for SEW, current family business literature is unable to explain how feelings and emotions affect the formation of SEW and how they affect the functioning of the family and the firm." In this regard, Kellermanns et al. (2012) suggest that valence should be taken into account when considering the affective aspects contributing to SEW interactions with stakeholders. With broad assumptions and virtually little research directly measuring emotion in SEW relationships, there are several opportunities to incorporate direct measures of affect and emotion in empirical SEW studies.

Motivational Assumptions

Nonfinancial goal pursuits and the benefits that family members derive from them lie at the core of SEW theory. Similarly, in psychological research, goals are a crucial concept for motivation. Consequently, although family firm scholars might not always be aware of it, when they theorize about family members' goals they often build psychology-oriented motivational assumptions into SEW theory's tenets. Moreover, as the literature currently stands, these motivational assumptions – although seemingly plausible - have little or no direct evidence beyond firm-level outcomes to support them. For example, Berrone and colleagues (2010:87) argue that "the value of socioemotional wealth to the family is more intrinsic, its preservation becomes an end in itself, and it is anchored at a deep psychological level among family owners whose identity is inextricably tied to the organization." While several SEW researchers have subsequently built Berrone and colleagues' argument, often verbatim (e.g. Gómez-Mejía et al., 2011), into their own arguments, just in this one statement there are several psychological relationships – such as intrinsic vs. extrinsic motivation (cf. Deci & Ryan, 1975), goal ends and

means (Kruglanski et al., 2002) and various underlying assumptions about how self-identity (Hitlin, 2003) social identity (Van Knippenberg, 2000) or organizational identity (Ravasi & Schultz, 2006) impacts goal pursuits - that have yet to be empirically validated in the family business literature.

When examining reasons why SEW theory provided such greater explanatory power over previous family business theoretical inquiries, it is how Gómez-Mejía and colleagues (2007) (a) decoupled nonfinancial goal pursuits from their psychological/affective benefits and (b) argued that these benefits serve as a decision-reference point that can lead to both risk averse and risk-seeking behavior that ultimately sets the theory apart (Chua et al., 2015). Before SEW Theory, scholars had long recognized that family firms pursue a higher proportion of nonfinancial goals relative to financial goals when compared to their nonfamily counterparts (Chua et al., 1999; Lee & Rogoff, 1996) but had difficulty theoretically articulating how these goals were tied to unique consequences (Chrisman et al., 2005). Much of the early family firm literature focused on identifying nonfinancial goals and the family firms' proportion of nonfinancial goals relative to financial goals. While SEW Theory decoupled the benefits of nonfinancial goals from the goals themselves, a large portion of the family firm literature on SEW still makes dichotomous arguments. However, there are notable exceptions that offer richer SEW theoretical arguments about motivation. For example, Deephouse and Jaskiewicz (2013) make explicit motivational arguments about reputation, a benefit from family members' nonfinancial goal pursuits. As research moves forward, finer grained understanding of motivation's effects on individuals and groups in SEW goal pursuits will be crucial for understanding nuances in family firm microfoundations.

Social Assumptions

By decoupling the psychological benefits that family members experience in nonfinancial goal pursuits from the actual nonfinancial goals, SEW theory implicitly acknowledges the social implications that both internal family members and external stakeholders have for establishing and conferring these psychological benefits. Consequently, many family firm scholars have examined unique strategic outcomes that can be inferred from how family members might approach social relationships with stakeholders in and through the firm. For example, employing an archival dataset, Cennamo et al. (2012) argued that family firms are more likely to care or proactively engage with stakeholders than nonfamily firms because such interactions help ensure facets of SEW that nonfamily firms do not value. Cennamo and colleagues' (2012) juxtaposition of SEW Theory's social implications for how family members interact with internal and external stakeholders subsequently inspired conceptual commentary (Kellermanns et al., 2012) that also further explicated social assumptions that were, up to that point, implicitly held.

Although current understanding is somewhat limited, social assumptions are also instrumental in SEW theoretical arguments concerning reputation (Berrone et al., 2010; Deephouse & Jaskiewicz, 2013) and corporate social responsibility (Berrone et al., 2010; Cruz et al., 2014; LaBelle et al., 2015). These papers assume that external stakeholders and audiences confer psychological benefits to family executives that nonfamily executives cannot gain because they likely do not have sufficient control over the firm to use it in such a way to build a reputation or pursue certain socially responsible practices. Additionally, recent SEW research trends have steadily incorporated more social assumptions concerning how family members approach relationships with internal stakeholders. Indeed, while early SEW studies concerned with internal relationships (e.g. Jones et al., 2008; Cruz et al., 2012) utilized more strategic

perspectives, recent studies have increasingly included arguments more consistent with social psychological assumptions. For example, Goel and colleagues (2013) examined a CEO's empathy and SEW salience, Vardaman and Gondo (2014) focus on SEW conflict, and Perry et al. (2015) examined family members' trust in nonfamily advisors. As SEW studies published thus far employ archival data, there are significant opportunities to use primary data to extend SEW research from social psychological perspectives.

Summary of Microfoundational Assumptions

When examining general trends in the types of psychological assumptions found in SEW arguments, it appears that family firm scholars generally touch most of the four categories of psychological explanations but mainly focus on one or two of the psychological assumption categories for their empirical arguments. For example, Deephouse and Jaskciewicz (2013), relative to other SEW articles, develop more theoretical arguments about family members' motivations or motives for maintaining a positive reputation. Similarly, Cruz et al. (2014) spend a large part of their theorizing on SEW's role in corporate social responsibility (CSR) primarily developing assumptions about various social dimensions of CSR. It is worth noting that (a) papers that generally touch base with all four categories of psychological assumptions are often reviews, commentaries, or theory papers and that (b) empirical papers that touch all psychological categories in their hypothesis development are generally found in more prestigious or higher impact factor journals. Yet, from a psychological perspective, all four categories of assumptions are deeply intertwined so it is important for SEW research on family firm microfoundations to develop more robust theoretical assumptions that thoroughly cross several categories of assumptions identified above. To offer theoretical principles that can help build these richer microfoundational investigations, I turn to psychological research on goal systems.

TOWARDS FAMILY FIRM MICROFOUNDATIONS: SEW AND GOAL SYSTEMS

In contrast to SEW theory's often static and dichotomous assumptions (e.g. financial vs. nonfinancial, family vs. nonfamily, first generation vs. later generation, etc.) about family firm goals, research on psychological goal systems presents a fluid and dynamic understanding of how cognition, motivation, affect, and behavior are connected and interact in different social contexts. In particular, goal systems research integrates many widely held psychological principles to explain how people manage and shift between several related or even conflicting goals in different situations (Bandura, 1988; Kruglanski et al., 2002). Goals, as psychological constructs, are mental representations of desired end states (Austin & Vancouver, 1996; Fishbach & Ferguson, 2007). To move towards goals, people evaluate relations between what is needed or the activities they have to do to reach the desired end state. Put another way, they evaluate various relations between means and goals. Thus, people consciously and subconsciously create a mental map of the motivational space they need to navigate to accomplish various types of goals, where different goals and means relationships can be salient depending on the situations they currently find themselves (Dijksterhuis & Aarts, 2010; Kruglanski et al., 2002). "Ultimately, individuals' motivationally relevant mental map consists of interlocking configurations of goals and means, creating a conceptual network individuals are contemplating and taking into account when making their choices and carrying out their actions" (Kruglanski, Chernikova, Babush, Dugas, & Schumpe, 2015:70).

Research on goal systems, if applied to family firm members, therefore differs from strategic approaches because it is individual-specific and does not make broad assumptions about how all family members will behave. For example, an older family member who has a long history in the firm, such as that of a founder, might find building a family legacy more important

than a family member who just entered the family firm after graduating from college. Similarly, certain family members might be more benevolent than others and therefore prioritize keeping underperforming family members employed through the firm as more important than any reputation concerns that might come from that family member's performance when interacting with external stakeholders. Consequently, at the individual level, it is important to recognize that family members within the firm will have more idiosyncratic constellations of SEW goals and means in their perceived goal hierarchies.

SEW Microfoundations Principle 1: Individual family members have idiosyncratic preferences for SEW goals' means-ends relationships.

Beyond the idea that family members have idiosyncratic SEW means-ends preferences, it is important to understand how family members will value different constellations of means-ends relationships supporting their SEW and to recognize how often family firm research makes implicit assumptions about these constellations (Chrisman & Patel, 2012) More specifically, goal systems research generally discusses three types of goal constellations that make up the architecture or hierarchical goal structure of psychological goal systems: multifinal, equafinal, and counterfinal constellations (Kruglanski et al., 2002; Kruglanski et al., 2015). Below, I define and further explain how each of these three aspects of goal structures fits into psychological explanations for SEW theory.

Multifinality. When seeking to understand the structure of goal systems supporting SEW, a multifinal relationship exists when a single means serves several goals (Kruglanski et al., 2002). Multifinal means can help family members maintain SEW because a single activity can therefore serve several goals. For example, philanthropic giving through a family foundation can simultaneously build a reputation and preserve a family legacy, helping accomplish multiple goals in ways that are analogous with the old adage *to kill two birds with one stone*. Although

often not made explicit, the crux of family firm scholar's arguments (e.g. Berrone et al., 2010; Gómez-Mejía et al., 2007; Zellweger et al., 2012) about the necessity of firm control to build and maintain SEW is ultimately a multifinal relationship. Indeed, family firm scholars often use firm control as a means to justify several arguments about SEW relationships (Berrone et al., 2012; Gómez-Mejía et al., 2011). Such arguments are often logical and deductive, determining that firm control is what is most valuable and instrumental for family members to have SEW. However, from a psychological perspective, the more multifinal a means is, the less likely it is to be perceived as instrumental for the many goals it serves (Kruglanksi et al., 2015). This dilution effect occurs because by being linked to several goals, there is not one single goal to readily associate with the relationship. This notion that control can often not be seen as instrumental thus supports Zellweger et al.'s (2012) findings, as one of the only available studies that directly measures SEW, that control has a "kinked relationship" with SEW. Thus, control is likely necessary but not sufficient for SEW related phenomena and greater understanding of other means-ends relationships' impact on cognitive, affective, motivational, and social outcomes in SEW is needed.

Equifinality. In contrast to a single means being instrumental to several goals, equifinality suggests cases where different means can lead to a single goal (Kruglanski, Pierro, & Sheveland, 2011). Applied to SEW preservation arguments, equafinal SEW means imply that when there is a SEW threat, (a) family members need to choose which means to use to respond and (b) can have certain means be substituted for other means in order to obtain a focal goal (Kruglanski et al., 2002; Kruglanski et al., 2015). This type of SEW goal means-ends constellation can therefore explain heterogeneity between family firms and family members as different factors that constrain or expand the availability of means to respond to a situation can

make a difference in the perceived urgency and intensity with which a family responds to a SEW threat. For example, some family firms might struggle more to meet nonfinancial priorities when a founder unexpectedly dies than others, as idiosyncratic knowledge about how to run the firm can be spread different between various family members in different types of family firms (cf. Lee, Lim, & Lim, 2003). Similarly, although family firm scholars often contrast financial and nonfinancial objectives, larger family firms with greater financial means are more likely to make different decisions about how to approach public relations when something affects their reputation. By understanding equifinal means-ends relationships in SEW goal structures for particular family members, family firm research will be able to answer calls (e.g. Miller & Le Breton-Miller, 2015; Schulze & Kellermanns, 2015) to better understand what motivates differences in family firm decisions.

Counterfinality. In comparison to the first two types of goal systems constellations, a counterfinal relationship occurs when a means that serves a focal goal also undermines an alternative goal (Kruglanski et al., 2015). Counterfinal relationships are present in several family firm arguments about financial vs. nonfinancial objectives and therefore likely to play an important role in further understanding the microfoundations of family firm behavior. For example, family firm researchers often have instrumental reasons but do not exactly explain why, how, or when family members in firms with low firm performance will forego socioemotional concerns to focus on financial conerns so that they have the ability to preserve SEW for the future. Furthermore, there are likely to be mixed feelings and decisions in these types of situations that, if measured in a research design more conducive to understanding family firm microfoundations, can extend our understanding of how family members come to SEW preservation decisions in face of financial constraints (Jiang & Munyon, 2016).

Collectively, the differences between multifinal, equafinal, and counterfinal SEW relationships, while prevalent throughout the SEW literature, have yet to be applied towards understanding nuances in cognitive, affective, motivational, and social antecedents and outcomes driving the unique outcomes that SEW research often focuses on. Because several factors can be valuable and instrumental for SEW but not be perceived as such, there is a crucial need for family firm scholars to understand the social contexts driving SEW phenomena.

> *SEW Microfoundations Principle 2: Family and nonfamily members' responsibilities and/or activities both inside and outside the firm can contribute to the equafinality, multifinality, and counterfinality of particular means supporting valued SEW goals.*

Events and Reciprocal Causality's Role in the Changing Nature of Goal Systems

Taken together, the ideas behind equafinal, multifinal, and counterfinal means-ends relationships suggest that events and other elicitors in various situational contexts can continuously change the salience and therefore the perceived priority of particular goals (cf. Bandura, 1978). In this way, goal systems research acknowledges the important roles that events play in disrupting or moving people closer to their goals (Shah & Kruglanski, 2008). Events that affect means-ends relationships can therefore shift priorities and reorganize mental representations of goal structures in ways that family members focus on more contextually salient goals (Shah & Kruglanski, 2008; Kruglanski et al., 2002), which can include both financial and nonfinancial ends. The psychological principle of reciprocal causality is therefore important because, unlike many current approaches to SEW research, this principle argues that antecedents can be consequences and vice versa, as long as they are not measured at the same point in time (Bandura, 1978; Lazarus, DeLongis, Folkman, & Gruen, 1985). By taking events and reciprocal causality into account, SEW scholars will therefore be able to better understand nuanced situational differences where cognitive, affective, motivational, and social antecedents

and outcomes can drive heterogeneous SEW phenomena. For example, how a family member reacts to an event when experiencing a positive mood will have different implications from when he or she reacts to a similar event in a negative mood (Ashkanasy, 2003). Rather than holding static assumptions about SEW, understanding the roles events have in SEW phenomena are important for explaining dynamic changes in family members' cognitive, affective, and social motivations to preserve or build SEW (cf. Shah & Kruglanski, 2008).

> *SEW Microfoundations Principle 3: Events in the family and/or firm environment impacting a family member's idiosyncratic SEW goal preferences can change the structure and therefore the cognitive, affective, and social motivations to pursue certain SEW goals in his or her own perceived goal hierarchy.*

Although psychological approaches to goal systems often focuses on the individual level of analysis, research also suggests that other people can possess certain means to an end and thus expand goal systems beyond the individual level (Fishbach, Shah, & Kruglanski, 2004). Indeed, when considering goal systems, research suggests that social connections can instigate and change many expected reactions and outcomes (Aarts, Gollwitzer, & Hassin, 2004; Fishbach et al., 2004). In particular, because family members share similar and often overlapping means through the firm that ultimately afford them SEW, changes in means-ends relationships supporting valued parts of several family members' SEW will likely require more communication and negotiation in attempts to arrive at solutions that are viable for all family members (Kellermanns et al., 2012; Schulze & Kellermanns, 2015). Such efforts will ultimately be situational and therefore differ in regard to the intensity, direction, and duration of social interactions that lead to SEW decisions (Austin & Vancouver, 1996).

> *SEW Microfoundations Principle 4: The extent to which family members collectively perceive the same SEW means-ends relationships to be equafinal, multifinal, or counterfinal will impact the intensity, direction, and duration of social interactions leading to SEW preservation decisions.*

FUTURE RESEARCH DIRECTIONS

As SEW research continues to grow, scholars are increasingly postulating how family members' cognition, emotions, goals, and social behaviors drive family firms' unique strategic outcomes. However, as demonstrated in Table 1.2 and explained throughout this review, static assumptions and archival firm level data that often supports SEW's unique strategic findings also leaves countless psychological microfoundations unexplored, confounded, and open to debate. Indeed, Schulze and Kellermanns (2015) point out that if research continues to ignore the role family members play in SEW' strategic outcomes then family business scholarship will be at risk of reifying SEW. In efforts to address this concern, this review integrated research on psychological goal systems with SEW. More specifically, I argued that a dynamic understanding of how cognition, affect, motivation, and social behavior plays into SEW phenomena can open new research avenues that will help SEW theory grow and challenge broader management research. Aiming to help family firm scholars extend SEW theorizing and provide new insights about family *members'* behaviors rather than family *firms'* behaviors, below I outline several research opportunities that can guide future investigations of family firm microfoundational relationships.

Reciprocal Causality in SEW Relationships

Current approaches to SEW theory have assumed SEW to be a latent idea - comprised of family members' goals, emotions, interactions, and decisions - that drives unique strategic outcomes (Berrone et al., 2012). In this way, family firm research often presents dichotomous depictions of SEW (e.g. nonfinancial vs. financial, family members vs. nonfamily firms, family systems vs. firm systems) where assumptions about family members' underlying cognitions, emotions, motivations, and social behaviors are fixed and equally shared among all family

members in order to focus on unique strategic outcomes (Gómez-Mejía et al., 2011; Miller & Le Breton-Miller, 2014). However, these assumptions do not account for the dynamic and ever changing interactions between individuals and their contexts within the firm that ultimately cause these unique strategic outcomes (Schulze & Kellermanns, 2015; Zellweger & Dehlen, 2012). As I have argued in this review, the social context within which family members set goals, experience emotions, and make decisions can change the direction and degree of expected theoretical relationships. In this way, reciprocal causality between cognitive, affective, motivational, and social factors can help account for heterogeneity in family firm phenomena. For example, instead of assuming that emotions or nonfinancial goals tied to the firm leads to SEW decisions, firm decisions too can instigate emotions or shift goals. It is important to understand why, how, and when dynamic interactions related to SEW's tenets not only explain why family firms are different from nonfamily firms but also why family firms – and family members in family firms – differ from one another (Chrisman & Patel, 2012; Miller & Le Breton-Miller, 2014). Similarly, if affect plays key roles in SEW related decisions, then understanding how affective concepts such as a family members' mood or emotion regulation changes SEW decisions can offer crucial implications about family firms (Kellermanns et al., 2012; Zellweger & Dehlen, 2012). Thus, by taking context and psychological explanations into account, family firm scholars will be able to elaborate on more complex and changing SEW relevant relationships *within* the firm.

Event-Driven and Outcome-Driven Explanations of SEW

Beyond principles of reciprocal causality, it is important for family firm scholars interested in the microfoundations of SEW to further understand the crucial roles that events play in shifting equifinal, multifinal, and counterfinal goal hierarchies in SEW relationships. In this

regard, microfoundational SEW explanations differ from strategic SEW explanations because they are largely event-driven rather than outcome-driven. While past SEW research from strategic perspectives have broadly attributed family firms' unique strategic outcomes to relationships between family members' decisions, emotions, goals, and social behaviors, the literature's primary use of distal family proxies (e.g. number of generations involved in the firm, number of family members involved in the firm, the family's ownership concentration in the firm) to compare family firms with nonfamily firms largely constrains SEW explanations to static assumptions, latent measures, and what can only be argued about the business side of the family business equation (Berrone et al., 2012; Morris & Kellermanns, 2013; Pieper, 2010). In contrast, when events and social contexts that impact the equifinality, multifinality, and counterfinality of various SEW goals and other relationships supporting family firm members' SEW are considered, there are greater possibilities for understanding the family side of the family business equation's impact on unique SEW phenomena. For example, family events, such as those related to family member illness and death or conflicts between family members and/or nonfamily members, are likely to disrupt and reorganize family members' goal hierarchies and therefore impact risk-averse and risk-seeking decisions made in and through the firm. By examining an event's relative impact on means and ends relationships supporting family members' SEW from both the family and firm side of the equation, rather than just the firm side, family firm research becomes open to broader possibilities for explaining SEW changes and thus heterogeneity within and between family firms.

Exploring New SEW Theoretical Relationships at Different Levels of Analysis

Past SEW research has combined strategic theoretical perspectives with the SEW construct to examine firm-level phenomena. Here, I have argued that family firm scholars can

also delve deeper to combine psychological theories at different levels of analysis, such as the within person, individual, interpersonal, and family level, with SEW tenets to arrive at a richer understanding of the microfoundations underpinning SEW phenomena. By integrating SEW theoretical tenets with psychological theories, family firm scholars are likely to find nuanced relationships that can extend the microfoundations of SEW theory while also challenging commonly held psychological assumptions in broader management theories (Jiang & Munyon, 2016). Consequently, psychological theories related to the four categories of SEW assumptions (cognitive, affective, motivational, and social) identified in this review can be integrated with SEW theory to offer interesting theoretical insights at levels of analysis beyond just the firm level.

Methodological Considerations for Investigating SEW Theory's Microfoundations

Psychological approaches to SEW research - because they (a) focus on explaining why, how, when, and what events change relationships supporting SEW and (b) shift the focal level of analysis from the firm level to various levels within the firm - warrant new methodological considerations that also help move family firm theory forward. Indeed, in order to move beyond latent measures of SEW and truly understand *change* in SEW levels and relationships, scholars must look to methods that capture cognition, affect, motivation, and social behavior (Jiang & Munyon, 2016). In this regard, experimental approaches and multi-method investigations consistent with those typically found in the fields of social psychology and organizational behavior offer crucial implications. Where traditional strategic approaches to SEW research cannot fully explicate how emotion, cognition, motivation, and social behavior drives outcomes, multiple method investigations that utilize primary data from family firm members can build a rich and robust understanding of SEW's microfoundations. As SEW research continues to move

forward, experimental approaches can offer enough control and precision over the study to understand cause and effect relationships in SEW's microfoundations. In this same line of thought, multiple method investigations, such as those that combine survey, experimental, qualitative, and/or experience sampling methods, offer ways to offset limitations of a single method and build strong supporting evidence for theoretical arguments.

CONCLUSION

Since SEW theory's introduction, family firm scholars have made considerable strides predicting family firms' unique strategic outcomes. However, a primary focus on these strategic consequences has left their causes confounded. To this regard, the current review highlights past successes and future opportunities for the microfoundations of SEW research. I organized this review by identifying categories of psychological assumptions that family firm scholars often build into their theoretical explanations of SEW phenomena. In doing so, I show that strategic approaches to SEW theory have provided some of the most convincing answers to family firm scholarship's first generation question (Are family firm firms different from nonfamily firms?) and generated interest in the field's second generation questions (why, how, and when are family firms not only different from nonfamily firms but also from each other?). Addressing crucial need for microfoundational tenets that can guide psychological investigations of SEW, I reviewed and integrated research on psychological goal systems with SEW research. This review therefore offers research paths that can supplement strategic SEW research and reconcile confounds in SEW theory. It is my hope that both family business and organizational behavior scholars will use insights from this review to extend SEW theory and challenge taken for granted psychological assumptions in broader management theory.

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ESSAY 2

THE FAMILY TIES THAT BIND: HOW EMOTION AND FAMILY SYSTEM DYNAMICS GENERATE AND PRESERVE SOCIOEMOTIONAL WEALTH

Disclosure: This essay is one of the first versions of a manuscript that went through three rounds of review at the *Academy of Management Review* before being rejected. The ideas, theorizing, and writing in the original draft were all my sole work**.** This version of the paper includes a modified discussion section that Franz Kellermanns, Tim Munyon, and Lane Morris helped craft.

ABSTRACT

Organizations often make decisions that seem anything but economically rational. In family firms, one theoretical explanation behind these decisions involves the pursuit and preservation of socioemotional wealth, or a family's supply of emotional value afforded through a controlling position in the firm. Yet, despite theoretical assumptions concerning emotion and family dynamics' role in socioemotional wealth, current family firm theory is ill-equipped to explain how sociemotional wealth is generated and preserved. In this paper, we bridge this divide by infusing family systems logic with Ashkanasy's (2003) multi-level model of emotion in organizations, examining how socioemotional wealth is generated and how family emotional dynamics influence socioemotional wealth preservation. Our purpose therefore addresses two fundamentally crucial, yet unexplained, linked mechanisms in family firms: (a) how emotion aggregates to compose a family's socioemotional wealth and (b) how emotion and family dynamics seek to preserve socioemotional wealth when it is threatened. In doing so, we explain the antecedents of socioemotional wealth while also challenging broader organizational literature streams to examine the use of negative emotional displays as social influence mechanisms and what role triangulation, or dyadic coalition building processes in three person relationship systems, plays in emotional dynamics that aggregate upwards in organizations.

"The only rock I know that stays steady, the only institution I know that works, is the family."
Lee Iacocca (Iacocca, 1994)

The family, inextricably binding groups of people together through interconnected emotional, social, and economic support systems, continues to endure as one of society's oldest and most resilient institutions, influencing numerous aspects of human existence across time and various cultures (Banalieva, Eddleston, & Zellweger, 2014; König, Kammerlander, & Enders, 2013; Minuchin, 1974). Research on family businesses, defined by a family's ownership and control of a firm with a vision for how the firm will benefit the family, potentially across generations (Chua, Chrisman, & Sharma, 1999), is a testament to this claim, providing evidence that the inherently emotional nature of families influence several taken for granted aspects of organizational leadership and decision-making across the globe (Dyer, 2003; Eddleston & Kellermanns, 2007; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Indeed, although family and business are often studied separately and are generally thought to have opposing goals (Aldrich & Cliff, 2003; Dyer, 2003), families control up to 90% of the world's businesses and consequently impact the majority of industrialized and developing nations' GDP, economic growth, and employment levels (Astrachan & Shanker, 2003; Gedajolovic, Carney, Chrisman, & Kellermanns, 2012).

Often motivated by the points covered thus far, family firm scholarship finds that preservation of socioemotional wealth (SEW), or a family's supply of emotional value afforded through a controlling position in the firm (Gómez-Mejía et al., 2007), is a defining characteristic of family firms, providing an overarching theoretical perspective that not only speaks to why family firms continue to endure but that also ultimately explains why they make decisions differently than their non-family counterparts (Berrone, Cruz, & Gómez-Mejía, 2012). To this aim, understanding of SEW as a theoretical perspective of the family firm is predicated on a

longstanding belief that overlapping family and business systems lead family firms to make unique emotionally charged decisions (Gómez-Mejía, Cruz, Berrone, & De Castro, 2011). However, despite emotion's implicit importance in generating and preserving SEW, the field's traditional focus on strategic behavior and planning at the expense of overlooking emotion and family dynamics' contributions to such behavior has left family firm theory "unable to explain how feelings and emotions affect the formation of SEW and how they affect the functioning of both the family and the firm," dampening development of SEW as a theory of the family firm (Berrone et al., 2012: 269; Morris & Kellermanns, 2013).

Here, we bridge emotion research in the organization science (Ashkanasy, 2003; Gómez-Mejía et al., 2007; Huy, 1999, 2002) and family science (Bowen, 1993; Olsen, Sprenkle, & Russell, 1979) domains, integrating two tacitly related but heretofore disconnected research conversations on (a) socioemotional wealth (Gómez-Mejía et al., 2007; Berrone et al., 2012) and (b) emotion and emotional dynamics in organizations (Ashkanasy, 2003; Huy, 1999, 2002), to develop a multi-level model of emotion's role in family dynamics that generate and preserve SEW. We proceed by first connecting research on SEW and emotions, specifying how emotion influences collective family and firm outcomes regarding SEW (c.f. Ashkanasy, 2003; Huy, 2012). The family firm literature (Berrone et al., 2012; Gómez-Mejía et al., 2011) leads us to address two largely unexplored but tightly connected mechanisms of SEW: (a) how emotion and family dynamics aggregate to compose the family's SEW, and (b) how emotion and family dynamics seek to preserve the family's SEW when it is faced with a threat. Consequently, infusion of family systems logic into multilevel work on emotions and emotional dynamics in organizations (Ashkanasy, 2003; Ashkanasy & Humphrey, 2011; Huy, 1999, 2002) affords us the ability to take initial steps towards filling this void. In attending to both of these research

areas, our model not only unearths emotion's crucial missing link in SEW as a theory of the family firm but also challenges the broader organization sciences to examine negative emotional displays' use as social influence mechanisms in emotional dynamics within organizations.

Thus, our main contribution to research on emotions in organizations shows how family system dynamics tied to SEW bleed into the organizational context, leading to changes in normative expectations for emotional display rules that ultimately guide family members to participate in emotional dynamics that are ubiquitous in both families and organizations but are not generally addressed in the management literature. Moreover, we also offer crucial contributions to the SEW literature, explaining how emotions affect the formation of SEW and family functioning when SEW is threatened. In this manner, we maintain that emotion and family dynamics represent essential but largely unexplored influences on socioemotional wealth in family firms, especially when SEW is threatened (Gómez-Mejía et al., 2011; Morris & Kellermanns, 2013). To provide a starting point for further theory development and systematic research efforts in these areas, we first define emotion before placing it in the situated context of the family firm to explain how it aggregates and crosses levels of analysis, affecting family dynamics in the firm that ultimately generate and preserve the family's SEW.

EMOTION EMBEDDED IN OVERLAPPING FAMILY AND ORGANIZATIONAL SYSTEMS

Emotion is a "discrete, innate, functional, biosocial action and expression system" (Fischer, Shaver, & Carnochan, 1990) characterized by an individual's core affective experience of "momentary, elementary, feelings of pleasure or displeasure and of activation or deactivation" that are triggered in social exchanges and/or by stimuli in the external environment (Huy, 2002; Russell, 2003; Seo, Barrett, & Bartunek, 2004:424). At any point in time, whether it arises from stimuli at work, home, or within the family business, an emotional experience is a single integral

blend of these two dimensions that affects both cognitive and behavioral aspects of interpersonal exchanges (Russell, 2003; Seo et al., 2004) and emotional dynamics, or behaviors that seek to address or arouse certain specific emotions triggered by the prospect of change or that are necessary to effect change (Huy, 1999). Our theorizing builds on this understanding of emotion, investigating how it can be embedded in and arise from a family business' overlapping family and organizational systems, ultimately helping a family generate and preserve its socioemotional wealth in a particular firm.

Indeed, as a core assumption that has been with the family business field since its very beginning, "it is now widely accepted that the boundaries between the family and the firm are blurred in family businesses, and that emotions flow back and forth, ultimately affecting how the firm conducts its activities" (Gómez-Mejía et al., 2011: 655). Over the past three decades, in the search for why family firms' business decisions differ from non-family firms', scholars have offered a wealth of evidence indirectly suggesting that family dynamics within the firm often lead to emotionally charged and varying business decisions at the firm level (Eddleston & Kellermanns, 2007; Gómez-Mejía et al., 2011; Kellermanns & Eddleston, 2004, 2007). However, as family firm theorizing continues to progress, it becomes increasingly clear that a traditional focus "on the exploration and investigation of areas primarily related to the *business side* of the family business equation, involving topics such as goals and objectives (e.g., economic goals, goal formulation), strategy formulation and content (e.g., strategic planning, competitive advantage, business strategy, entrepreneurship), and management (e.g., leadership, professionalism, succession planning), with limited attention to the *family relations and dynamics* that undergird these family business issues" (Morris & Kellermanns, 2013: 379) has led to a dearth of understanding of how emotion embedded in and emerging from family

dynamics in the organization leads to these unique family firm decisions (Berrone et al., 2012; Gómez-Mejía et al., 2011; Zellweger, Kellermanns, Chrisman, & Chua, 2012).

While socioemotional wealth predicts when and why family firms make unique decisions, being built on the family firm literature's longstanding core assumptions, it also inherently lacks an understanding of how emotions embedded in family dynamics influences family firm decisions (Berrone et al., 2012; Gómez-Mejía et al., 2011). Thus, in order to grow as a theory of the family firm, SEW must account for and incorporate both family system and organization system dynamics (Sharma, 2004), of which it currently focuses more on the latter with little understanding of the former (Berrone et al., 2012; Gómez-Mejía et al., 2011). Acknowledging this, we next turn to reviewing extant SEW theorizing before introducing family systems concepts and integrating these theoretical perspectives to understand how emotion crosses levels of analysis to generate and preserve a family's SEW.

SOCIOEMOTIONAL WEALTH

The growing scholarly discourse centered on family firms' socioemotional wealth (SEW), or the "non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty" (Gómez-Mejía et al., 2007: 106), contributes significantly to the theory of the family firm, predicting why and when family firms' emotional attachment to SEW leads them to make decisions differently than non-family firms. Originally conceptualized by Gómez-Mejía and colleagues (2007), the SEW theoretical perspective integrates Behavioral Agency Theory's assumptions about executive risk preferences (Wiseman & Gómez-Mejía, 1998) with over three decades of family firm theorizing to propose that family firms differ from nonfamily firms because they (1) use their SEW endowment rather than financial endowment as the dominant

decision reference point (2) frame decision alternatives as either gains of losses in SEW and (3) are generally risk averse when facing SEW gains and risk-seeking when facing SEW losses. Family firm theorizing, finding that SEW preservation is more intrinsic than financial reference points in family firms (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010), therefore finds that family firms differ from nonfamily firms because threats to SEW generally puts the family in a loss mode, leading to strategic choices that can ignore financial logic, come at the expense of other stakeholders, and even put the firm at risk if this is what is required to preserve the family's SEW (Berrone et al., 2010; Berrone et al., 2012).

Further unraveling the reasoning for the loss averse and frequently emotional decisions that often characterize family firm behavior, extant SEW literature finds that such decisions center on preserving a socioemotional endowment, or stock of affect-related value, that the family derives from the pursuit of nonfinancial and affective goals tied to a controlling position in a particular firm (Berrone et al., 2010; Berrone et al., 2012; Gómez-Mejía et al., 2007; Zellweger et al., 2012). Indeed, instead of economic motives it is often emotions related to the family's non-pecuniary and particularistic goals, such as those related to unrestricted exercise of personal authority vested in family members, continued enjoyment of family influence over the business, and the family's close identification with the firm, that affords SEW predictive validity for explaining previously ambiguous findings regarding family firm outcomes (Berrone et al., 2012; Gómez-Mejía et al., 2011). Acknowledging this, researchers have traditionally conceptualized the socioemotional endowment in broad terms to capture the essence of the varying emotional, rather than financial, nature of the family principals' decision reference points (Berrone et al., 2010; Berrone et al., 2012; Gómez-Mejía et al., 2011). In this way, research employing the socioemotional endowment as an overarching umbrella for examining

the family's use of their emotional value in a firm as a decision reference point has contributed to understanding family firms' unique aspects in broader literature bases on firm reputation (Berrone et al., 2010), firm valuation (Zellweger et al., 2012), institutional logic (Miller & Le Breton-Miller, 2013) and firm identity (Deephouse & Jaskiewicz, 2013), among other areas of the organization sciences (Gómez-Mejía et al., 2011).

However, at the core of the socioemotional endowment concept, as in much of the larger family firm literature, is the implicit assumption that overlapping family and organization systems lead to unique emotionally charged activity in family firms (Gómez-Mejía et al., 2011). Yet, as pointed out earlier, despite the ascribed relevance of emotions to SEW and the continued observation of firm level consequences that are attributed to family emotional processes, "current family business literature is unable to explain how feelings and emotions affect the formation of SEW and how they affect the functioning of the family and the firm" (Berrone et al., 2012:269; Gómez-Mejía et al., 2011). Increasingly, family firm scholarship has continued to identify but fall short of addressing this critical blind spot in understanding emotion's role in SEW and family firm functioning (Berrone et al., 2012; Gómez-Mejía et al., 2011; Zellweger et al., 2012). However, as we begin to illustrate in the next section, a multidisciplinary approach integrating the family firm literature's tacit link to the family sciences with emotions research applied to organizations can now begin to take the initial steps toward bridging this critical divide.

THE FAMILY SYSTEM

Theoretical approaches to family systems view the family as an emotional unit of analysis, infusing emotion into general systems logic to describe the complex and inherently emotional interactions in a family unit (Broderick, 1993; Kerr & Bowen, 1988; Minuchin, 1974; Olsen et al., 1979). As with other social systems, the family is a goal seeking system in which

family members mobilize support and motivation among themselves to pursue the family's overarching goals (Broderick, 1993). In this way, the family system is a self-regulating emotional system that reacts and adapts to external and internal threats affecting family functioning by seeking to maintain a state of emotional equilibrium across family members (Bowen, 1993; Olsen et al., 1979). Indeed, research across the family sciences, including areas on marital relationships, family stress, parenting, and family therapy, shares this perspective of emotion's integral role in family functioning, arguing that family members have daily effects on instigating and curtailing each others' emotional states (Larson & Almeida, 1999).

To this aim, family systems logic finds that interdependencies inherent in the family system creates an intensely emotional connection among family members (Bowen, 1993) where the family's level of cohesion, or the level of emotional bonding that family members have with each other and the degree of individual autonomy that family members experience within the family system as a result of these bonds, determines whether the family, and individuals within it, emotionally functions at a maladapted or bonadapted level (Olsen et al., 1979). Thus, it is important to point out how family systems logic goes beyond family dyads to consider family triangles, or three-person relationship systems, to be the smallest stable interpersonal building blocks for family functioning to contain emotion within the system (Bowen, 1993). Case studies and observations of family systems find that a family member can carry on a functioning dyadic relationship with another family member when the family system is operating under a pleasant or neutral mood; however, when highly activated unpleasant emotions arise in a dyad, one of the family members will try to resolve the activated emotional tension and restate emotional equilibrium in the system by triangling or drawing another person in to address, redirect, or diffuse the unpleasant emotion in the original dyad (Bowen, 1993; Guerin et al., 1996). In this

way, by shifting the intensity and direction of emotion around three relationships, a triangle is more stable than a dyad, serving as the most fundamental element of a family system that can "bind" or contain emotional tension in the system (Bowen, 1993; Kerr & Bowen, 1988).

A MULTI-LEVEL MODEL OF EMOTION AND FAMILY SYSTEM DYNAMICS' ROLE IN GENERATING AND PRESERVING SOCIOEMOTIONAL WEALTH

As demonstrated in our review of the SEW and family literature, it is imperative for family firm research to explain emotion and family dynamics' contribution to the generation and preservation of SEW held in a family's socioemotional endowment (Berrone et al., 2012; Gómez-Mejía et al., 2011; Zellweger & Dehlen, 2012). However, although extant theorizing points to SEW's cross-level aggregation of family members' emotions (Berrone et al., 2012; Gómez-Mejía et al., 2011; Zellweger et al., 2012), family firm research is ill-equipped to fully meet this need (Gómez-Mejía et al., 2011). In order to do this, family firm research must (1) first examine how emotion motivates individual family members' salience and pursuit of goals tied to the socioemotional endowment (Kellermanns, Eddleston, & Zellweger, 2012; Zellweger & Dehlen, 2012), (2) explain how emotions and emotional interactions aggregate (cf. Ashkanasy, 2003; Huy, 2012) to influence the family's overall socioemotional endowment (Berrone et al., 2012; Gómez-Mejía et al., 2011) and (3) examine how family dynamics (cf. Morris & Kellermanns, 2013; Sharma, 2004) ultimately interact with and change SEW levels when faced with a threat to the endowment (Berrone et al., 2012; Zellweger et al., 2012).

Addressing these concerns, Figure 2.1 presents our multi-level model of emotion and family dynamics' role in the generation and preservation of SEW. Our model builds on four core assumptions about emotions and SEW that also serve as boundary conditions for our propositions. First, consistent with the SEW literature, we assume that SEW comes from emotions experienced in a family's pursuit of particularistic nonfinancial goals, or

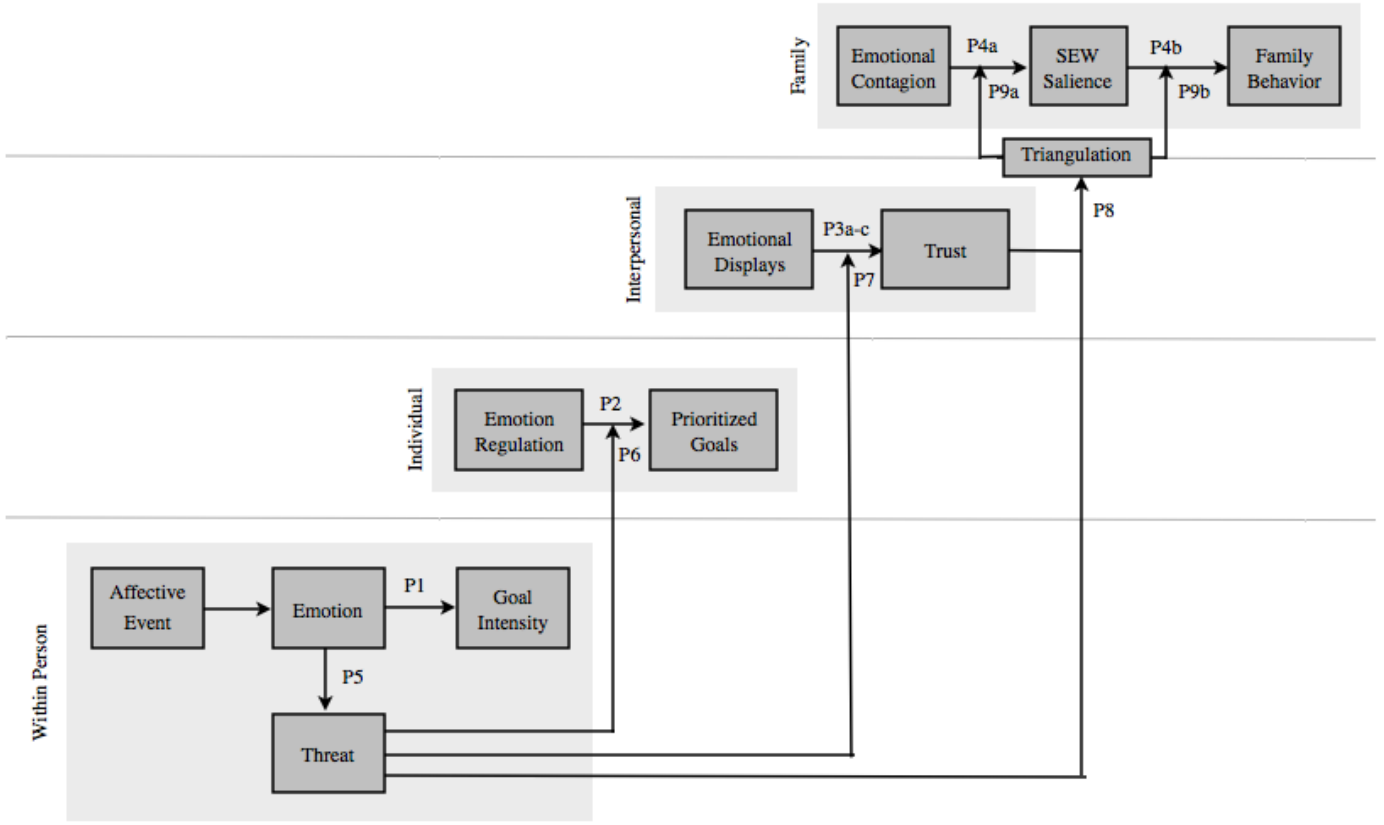

FIGURE 2.1
Multi-Level Model of Emotion and Family Dynamics' Role in Generating and Preserving Socioemotional Wealth

socioemotional goals, that are only made possible through a controlling position in a particular firm (Gómez-Mejía et al., 2007; Zellweger et al., 2012). Second, limiting our focus to family group and lower levels of analysis, our model conceptualizes the controlling family as a leadership team that has idiosyncratic differences in the value that each member assigns to various socioemotional goals (Kellermanns, et al., 2012; Zellweger & Dehlen, 2012). Third, in order to address how emotion during these interactions aggregates to compose the family's socioemotional endowment, our theorizing infuses family systems logic into Ashkanasy's (2003) multi-level model of emotion in organizations, adapting this model to the family firm context and therefore assuming that emotion has a neurophysiological substrate that allows it to influence and cross various levels of analysis. Finally, consistent with research on emotional dynamics (Huy, 1999, 2002) and the family firm literature that examines SEW under threat (Berrone et al., 2012; Gómez-Mejía et al., 2007), we assume that family dynamics (i.e. family triangulation) activated by emotions tied to the preservation of SEW will narrow family interactions under threat (cf. Staw, Sandelands, & Dutton, 1981) and therefore differ from the dynamics that generate SEW.

Our model of emotion and family dynamics' role in SEW generation and preservation therefore conceptualizes the family's socioemotional endowment as a fluid stock of emotion, concentrating on the two innately linked mechanisms that make it fluid: (a) how emotions experienced in the family's pursuit of socioemotional goals aggregate, crossing four levels of analysis from individual family members' temporal within person emotions to emotional contagion related to aspects of SEW that is experienced at the family group level, to contribute to the family's socioemotional endowment and (b) how the family's emotional dynamics operate under threats to SEW, narrowing family members' focus and behavior to the preservation of

SEW and thus explaining differences in family functioning when unpleasant and highly activated emotions tied to SEW diffuse through the family system. Operating on this understanding of SEW and within the bounds of our model's core assumptions, we next move to explaining the first mechanism in our model: how emotion generates SEW.

GENERATING SOCIOEMOTIONAL WEALTH: HOW EMOTIONS CONTRIBUTE TO THE FAMILY'S SOCIOEMOTIONAL ENDOWMENT

The family firm literature suggests that the socioemotional endowment and the emotions that comprise it come from family members' idiosyncratic pursuit of socioemotional goals (Miller & Le Breton-Miller, 2014; Zellweger & Dehlen, 2012). SEW theorizing assumes that the more salient the level of SEW in the family's socioemotional endowment is, the more likely it will lead family firms to make firm-level decisions based on SEW rather than financial logic (Berrone et al., 2012; Gómez-Mejía et al., 2007). Thus, although SEW, as the family's emotional value in the business generated from pursuing particularistic nonfinancial goals, plays a critical role in family firm decision-making, current theory assumes this at the firm level and does not address how emotion aggregates and crosses levels within the firm to become the main decision reference point. Recognizing this, we next follow the first four levels of Ashkanasy's (2003) multi-level model of emotion in organizations to explain how the family generates SEW.

Within Person Level Emotion Contributions to the Socioemotional Endowment

Acknowledging that emotion is first and foremost an inherently within person phenomenon (Ashkanasy, 2003), it is therefore important to understand how family members' within person emotional states influence their intensity of, or degree of effort toward, socioemotional goal pursuit (cf. Seo et al., 2004). Speaking to this aim, scholars across the social sciences generally find an emotion's degree of pleasantness and activation to be two integrally blended dimensions that undergird affective components in various emotional phenomena

(Russell, 2003), with the degree of pleasantness referring to hedonic valence, which includes a spectrum of affective states that range from pleasant (positive) valences, such as love and joy, to unpleasant (negative) valences, such as fear and anger, that people experience in response to a stimulus or affective event, while the degree of activation denotes the sense of mobilization that results from the feeling of disequilibrium that the new affective state creates (Seo et al., 2004).

Extending this understanding of emotion to family firms, Kellermanns and colleagues (2012), for example, suggest that pleasant emotions will increase the emotional endowments that a family member derives from socioemotional goal pursuit and be more associated with the family's overall level of proactive stakeholder engagement while unpleasant emotions will diminish these endowments and be associated with greater focus on family needs, even if instigation of these family needs comes at the expense of other stakeholders. Indeed, inferences from emotions research in psychology and organizational behavior applied to the family firm context reinforces these authors' assertions, suggesting that an emotion's integral blend of pleasantness and activation experienced while pursuing, or in relation to pursuit of, a particular socioemotional goal can influence a family member's direction and level of intensity in pursuit of that respective goal (Seo et al., 2004). This leads us to our first proposition:

> *Proposition 1: At the within person level, the degree of pleasantness and activation of a family member's emotion related to a socioemotional goal is positively associated with his or her intensity of pursuit of the respective socioemotional goal.*

Individual Level Emotion Regulation Contributions to the Socioemotional Endowment

Despite the temporal and widely varying nature of emotion, the SEW literature has traditionally assumed that family firms, and therefore family owners, have homogeneous perceptions of SEW (Berrone et al., 2012; Gómez-Mejía et al., 2011; Zellweger & Dehlen, 2012). However, as Zellweger and Dehlen (2012) point out, there is heterogeneity in family

members' assessments of the firm, themselves, and situational features that ultimately affects how they infuse emotion into and approach their socioemotional goals. Research finding that founders generally have the highest levels of SEW and emotional attachment to the firm also suggests that there are individual differences in how various family members approach certain socioemotional goals (Gómez-Mejía et al., 2007; Zellweger & Dehlen, 2012). Indeed, consistent with years of personality and emotions research, emerging SEW research suggests that there are individual differences in how family members regulate emotions tied to various socioemotional goals, ultimately influencing which socioemotional goals each individual family member prioritizes over others and thus affecting which goals they decide to pursue (Kellermanns et al., 2012; Miller & Le Breton-Miller, 2014; Zellweger & Dehlen, 2012).

Accordingly, at the individual level, differences in how family members regulate emotions experienced in relation to various socioemotional goals will determine the frequency, intensity, and duration of both positive and negative emotional experiences tied to firm ownership (Ashkanasy & Humphrey, 2011; Zellweger & Dehlen, 2012). For example, research on individual differences in emotion regulation (Gross & Thompson, 2007) implies that the same affective event can lead one family member to have a deeply unpleasant and enduring emotional experience related to certain socioemotional goals, while another family member might respond to the affective event with a neutral or even pleasant frame (Kellermanns et al., 2012). Indeed, family systems research also finds that individual family members, although being from the same family, will have differing emotional tendencies and cognitive appraisals of emotions that influences heterogeneity in their actions and what goals they pursue (Morris et al., 2007).

Research on individual differences in emotion regulation therefore suggests that each family member idiosyncratically prioritizes certain socioemotional goals over others (Gross &

Thompson, 2007; Morris et al., 2007; Zellweger & Dehlen, 2012), further explaining heterogeneity in SEW perceptions among family members (Kellermanns et al., 2012; Miller & Le Breton-Miller, 2014; Zellweger & Dehlen, 2012). Indeed, research on socioemotional selectivity reinforces and extends these arguments, suggesting that family members' regulation of emotion plays a central role not only in how they select and prioritize certain goals but also in how they cope with hardships faced while pursuing those goals (Carstensen, 1999; Löckenhoff & Carstensen, 2004). Acknowledging the heterogeneity of emotions and perceptions of SEW experienced among family members at the individual level of analysis, these arguments suggest:

> *Proposition 2: At the individual level, the regulation of emotion associated with a family member's pursuit of socioemotional goals is positively associated with his or her prioritization of particular socioemotional goals.*

Interpersonal Level Emotional Display Contributions to the Socioemotional Endowment

Our theorizing thus far has primarily focused on the intrapersonal characteristics of emotion tied to family members' pursuit of SEW but it is important to point out that emotional displays, or the way emotion is consciously or subconsciously expressed to others through verbal and nonverbal markers such as voice tone, body movements, and facial expressions (Ashkanasy, 2003; Ekman, 1984) play a crucial role in bridging the divide between within-person emotion and the transmission of emotion in interpersonal exchanges in both family (Zeman & Garber, 1996) and organizational environments (Ashkanasy, 2003; Ashkanasy & Humphrey, 2011). Acknowledging the neurophysiological substrate undergirding emotional experiences (Ashkanasy & Humphrey, 2011; Huy, 2002; Seo et al., 2004), many aspects of emotional displays include "preconscious pathways for emotional expression whose effects would be difficult, if not impossible, to control consciously" (Ashkanasy, 2003: 26). Thus, during emotional displays in interpersonal communications, keen observers often have windows of

opportunity to use social information to interpret others' felt emotions, even when their displays are feigned or not authentic (Ashkanasy, 2003; Ashkanasy & Humphrey, 2011). In this way, emphasizing the publicly observable aspects of emotions rather than the actual feelings, research on emotional displays addresses emotion's social consequences in interpersonal relationships: as the frequency and duration of interactions between a person and others' emotional displays increases, individuals gain more information on whether they can trust, or willingly be vulnerable to, another person under certain circumstances (Mayer et al., 1995).

Acknowledging emotion's integral role in building trust (Schoorman et al., 2007), "researchers from diverse fields agree that trust develops through repeated social interactions that enable people to update their information about others' trustworthiness" (Williams, 2001: 379). Thus, although family firm owners might often decide whether to trust a new contact by evaluating their interactions and initial feelings toward that person (Jones & George, 1998), their levels of trust in other family members are generally based on an extensive repertoire of experiences and recollections of the other family member's emotional tendencies and emotional displays (Berrone et al., 2012; Morris et al., 2007). Research on emotion in both the organization and family sciences further supports this, suggesting that the shared history and heightened interdependency that family members experience in the family and organization systems is expected to enhance trust (Bowen, 1993; Jones & George, 1998). Trust, as one of the most studied and important aspects of interpersonal relationships in organizations (Schoorman et al., 2007), therefore partially results from personal evaluations of the duration and frequency of emotional displays that occur during family members' dyadic exchanges about the current state or future of prioritized socioemotional goals (Ashkanasy & Humphrey, 2011; Diefendorff & Richard, 2003), leading us to the following propositions:

Proposition 3a: At the interpersonal level, the frequency of emotional displays related to prioritized socioemotional goals experienced in family dyadic exchanges is positively associated with each family member's trust in another family member's abilities to preserve the socioemotional endowment.

Proposition 3b: At the interpersonal level, the duration of emotional displays related to prioritized socioemotional goals experienced in family dyadic exchanges is positively associated with each family member's trust in another family member's abilities to preserve the socioemotional endowment.

Over time, as family members gain more social information about other family members' prioritized socioemotional goals and emotional tendencies from increased exposure to each individual family members' emotional displays in various contexts and at differing times (Morris et al., 2007), they increasingly perceive idiosyncratic emotional display rules, or informal norms and expectations for when, where, and how emotion should appropriately be displayed (Ashforth & Humphrey, 1993; Hochschild, 1983), for interacting with each family member about aspects related to the family's socioemotional goals. The expectations embedded within display rules can lead family members to participate in emotional labor, or the display of expected emotions (Hochschild, 1983), even when their actual experienced emotions differ. Again, acknowledging that family members working together in a family business have a shared history of other family members' emotional displays to draw inferences from and that they are often aware of display rules, family members tacitly and explicitly assess the authenticity of emotional displays and make judgments about how much they can trust another person's willingness and abilities to preserve emotional value in the family's socioemotional endowment.

Proposition 3c: At the interpersonal level, the authenticity of emotional displays related to prioritized socioemotional goals experienced in family dyadic exchanges is positively associated with each family member's trust in another family member's abilities to preserve the socioemotional endowment.

Family Level Emotional Contagion Contributions to the Socioemotional Endowment

Beyond just dyadic interpersonal exchanges, research on emotional contagion finds that emotional displays in group settings and among group members are contagious in that people tend "(a) to mimic the facial expressions, vocal expressions, postures, and instrumental behaviors of those around them, and thereby; (b) "catch" others' emotions as a consequence of such facial, vocal, and postural feedback" (Hatfield & Cacioppo, 1994; Hatfield, Cacioppo, & Rapson, 1993: 96). This phenomenon has long been observed in exchanges among family members in the family system (Bowen, 1993) and is also known to have both bottom up and top down emotional transfer processes within an organization's group hierarchy that not only influence individual but also collective emotional outcomes (Barsade & Gibson, 2012). Thus, "as people nonconsciously and automatically mimic their companions' fleeting expressions of emotion, they often come to feel pale reflections of their partners' feelings" and thus "feel themselves into" the emotional landscapes of others (Hatfield et al., 1993: 96), which not only increases the salience, or the relative attention and importance (Fiske & Taylor, 2008), of emotions in group and interpersonal dynamics but also allows emotions to ruminate and increasingly converge among group members through increasing use of mimicry and feedback mechanisms (Barsade, 2002).

Acknowledging its prevalence in organizations and families, emotional contagion is therefore also expected to facilitate convergence of emotional states during the family's interpersonal and group interactions concerning socioemotional goal pursuit in the family firm, heightening the salience of certain aspects of the emotional stock that are held in the family's socioemotional endowment. For example, family interactions and discussions regarding a successful and uneventful succession process can lead to higher family satisfaction with the current state of the business (Sharma, 2004), increasing the salience of emotions, such as

excitement and elation, that can be experienced through and contribute to a prioritized socioemotional goal associated with the family's endowment – the family's dynastic succession (Berrone et al., 2012; Zellweger et al., 2012). Similarly, negative news media coverage about the family firm can affect a family's socioemotional goal of having a positive reputation in the community (cf. Berrone et al., 2010), and lend itself to contagious unpleasant emotions that will also increase the salience of the socioemotional endowment in family dynamics. Acknowledging the role that emotional contagion has in feeling family members into the emotional landscape of others and how, through mimicry and feedback mechanisms, its processes can increase the salience of the socioemotional endowment for family members, we propose the following:

> *Proposition 4a: At the family level, the degree of emotional contagion of family members' emotions related to socioemotional goals is positively associated with the salience of emotional value held in the family's socioemotional endowment.*

Taking into account what has been discussed regarding emotional contagion and the salience of emotion thus far, it is important to point out that a large body of research finds that the neurophysiological substrate that undergirds cognitive and emotional processes influences decision-making such that what is salient in cognitive processing will have an effect on both individual and group behavior (Fiske & Taylor, 2008; Lazarus, 1991). Taking this well-established mechanism linking emotional and cognitive processes to behavior into consideration, we suggest that the degree to which SEW is salient will affect the family's overall behavior that uses the socioemotional endowment as a reference point.

> *Proposition 4b: At the family level, the greater the salience of emotional value held in the family's socioemotional endowment, the more likely family behavior is to use the socioemotional endowment as a decision reference point.*

PRESERVING SOCIOEMOTIONAL WEALTH: HOW FAMILY EMOTIONAL DYNAMICS PROTECT THE FAMILY'S SOCIOEMOTIONAL ENDOWMENT

Up to this point, we have begun to (1) designate emotion's role in an individual's pursuit of socioemotional goals and (2) discuss how emotion's embeddedness in overlapping family and organizational systems in the family firm can affect the family's interpersonal and group dynamics related to these socioemotional goals, aggregating to contribute to the family's socioemotional endowment. However, while this is necessary for understanding "how feelings and emotion affect the formation of SEW" it does not yet sufficiently address the reciprocal, and even more crucial, relationship regarding "how emotions affect the functioning of the family and the firm" when SEW is threatened (Berrone et al., 2012: 269; Gómez-Mejía et al., 2011). As Berrone et al. (2012) point out, the lack of understanding concerning emotion and family functioning's role in SEW preservation is not just apparent in SEW theorizing and research but is symptomatic of the broader family firm literature's limited knowledge about how the family functions in the firm. Indeed, although calls for understanding family dynamics' role in influencing firm behavior have echoed throughout the literature for over three decades (Aldrich & Cliff, 2003; Dyer, 2003; Gómez-Mejía et al., 2011; Morris & Kellermanns, 2013; Sharma, 2004), answers to these calls have largely eluded both the SEW and broader family firm literatures (Berrone et al., 2012; Morris & Kellermanns, 2013).

Thus, detailed in the following sections of this paper, we explain how the controlling family emotionally functions when a threat to SEW cascades from the intrapersonal level to interpersonal, and group levels in the family system. Specifically, we incorporate family systems logic with research on emotions in organizations to explain how family triangulation, or the emotional processes in a three person relationship system (i.e. triangle) that occur when a family member experiencing unpleasant and activated emotions seeks to alleviate emotional tension

through dyadic coalition building with an emotionally close family member in opposition to or in exclusion of a third emotionally distant family member (Bowen, 1978; Minuchin, 1974; Guerin et al., 1996), addresses, redirects, or diffuses unpleasant emotions associated with a threat to SEW. In this way, our reasoning examines how a family member's intrapersonal emotional state tied to SEW triggers emotionally laden interpersonal processes where he or she, trying to mitigate, regulate, or escape unpleasant activated emotions through family coalition building (i.e. triangulation), seeks to influence *other* family members' emotions and perceptions of a threat to be consistent with his or her own.

Threat Regulation: The Intrapersonal Nature of Unpleasant and Activated Emotional States Associated with a Perceived Threat to Socioemotional Wealth

In addressing the role that emotions related to a threat plays in family dynamics that preserve socioemotional wealth, we ground our arguments in the starting point that it is first and foremost an individual family member who initially experiences a threat to SEW while, or in relation to, pursuing a socioemotional goal (Kellermanns et al., 2012; Miller & Le Breton-Miller, 2014; Zellweger & Dehlen, 2012). Recognizing that there is a neurophysiological substrate connecting physiological reactions and cognition (Ashkanasy, 2003; Ashkanasy & Humphrey, 2011), the experience of an unpleasant and activated emotion in relation to socioemotional goal pursuit can create an emotional discrepancy between current and desired emotional states that leads people to identify a threat to the goal (Seo et al., 2004; Staw et al., 1981). Acknowledging this, it is important to point out that research finds that a threat is, by its very nature, unpleasantly valenced and highly activated (Staw et al., 1981), often interrupting periods of emotional stability and leading to defensive behavior that seeks to restore a more pleasant emotional state (Huy, 1999; Seo et al., 2004; Williams, 2007).

Proposition 5: At the within person level, the more unpleasant and activated a family member experiences an emotion associated with a socioemotional goal, the more likely he or she is to perceive a threat to the socioemotional goal.

Family members, when experiencing a threat to a valued goal, can enter a state of emotional disequilibrium that stimulates and directs human effort toward reducing the discrepancy between current and desired emotional states (Seo et al., 2004). Unpleasant and activated emotion stimulated by a threat to SEW, being a temporal and within person experience, therefore affects motivation to pursue socioemotional goals to the extent that the threat influences and is influenced by the person's innate ability to manage or regulate emotion (Carstensen, 2006; Lazarus, 1991). From an emotion regulation perspective, when recognizing that a threat will affect SEW, a family member initially internally copes with the activated nature of a threat's emotional state by implicitly or explicitly "developing and managing a set of hierarchically organized (from central and abstract to peripheral and concrete) goals" that will be effected by the threat (Seo et al., 2004: 425).

Research on the socioemotional selectivity of goals, or the act of prioritizing which particular goals to pursue (Carstensen et al., 1999), finds that when people experience a greater sense of threat to valued goals and a diminishing time perspective resulting from that threat, they increasingly prioritize protecting socioemotional goals that more readily bring a pleasant emotional valence. Kellermanns and colleagues' (2012) theorizing on the valence of socioemotional goals in family firms further supports this, going beyond the positive aspects of SEW to suggest that family members can have mixed and unpleasant feelings toward important socioemotional goals. Thus, research on a threat's effects on socioemotional wealth and socioemotional selectivity, taken together, suggests that when SEW is under threat, family members' approaches towards "goals tend to emphasize feeling states, particularly regulating

emotional states to optimize psychological well-being" in ways where goals that bring pleasant emotions are preferred and more readily pursued in an effort to mitigate the unpleasant and activated emotional state of a threat (Carstensen, 2006).

> *Proposition 6: At the individual level, when a family member's unpleasant emotions related to a threat are more activated, he or she will regulate emotions in a way that socioemotional goals that provide a pleasant valence are increasingly prioritized.*

Family Triangulation: The Interpersonal Emotional Dynamics Activated By a Threat to Socioemotional Wealth

Although individuals often cope with a threat by regulating emotions in ways that they increasingly focus on their prioritized goals, or the most important of hierarchically organized goals (Carstensen, 2006), family members will have varying preferences for socioemotional goals and individual differences in their abilities to internally cope with the threat to SEW (Guerin et al., 1996; Zellweger & Dehlen, 2012). If family members' emotions are activated to the point that they feel the need to take actions to reduce the threat, interdependencies in overlapping family and business systems generally make it so that family members need to recruit allied family members in order to fully address a threat (Bowen, 1993), implying that trusted relationships with other family members within the family system become increasingly important under threatening situations (Guerin et al., 1996). In this way, when family members reach a point where they feel unable to cope with a threat by themselves, they will be more likely to approach another trusted family member about the threat to SEW (Kellermanns & Eddleston, 2006; Guerin et al., 1996).

When expressing a SEW threat to a trusted family member, the person communicating and displaying emotions about the threat often draws on social information gathered from the duration, frequency, and authenticity of a person's past emotional displays and reactions to others' emotional displays in both family and business contexts (Diefendorff, & Richard, 2003;

Morris et al., 2007) to assess the situation and target their communications about SEW (Forgas, 1995; Zellweger & Dehlen, 2012). Thus, when approaching a trusted family member about the threat, the family member initiating the exchange either expects that the receiving family member will empathize with his or her feelings about socioemotional goals or that the person can be influenced to side with his or her perspective (Bowen, 1993; Minuchin, 1974). When the family member initiating the social exchange is emotionally close to the family member he or she is approaching about the threat, he or she is more likely to authentically display emotion, which can improve the other family member's learning and ability to mobilize to address the threat (Huy, 1999). In other cases, the ways that families socialize emotion regulation can create specific display rules (Morris et al., 2007), where family members have to strategically display emotions to navigate and negotiate the overlapping family and organizational domains so that they can socially influence others to meet their objectives (Kopelman, Rossette, & Thompson, 2006; Zeman & Garber, 1996). For example, acknowledging that altruistic behavior often occurs in family firms (Lubatkin et al., 2005; Schulze et al., 2001; Schulze et al., 2003), family members who want to address the threat can pinpoint an altruistic and trusted family member, displaying strong negative emotions related to a threat in order to evoke empathy in the other person and gain support. Either way, to the extent that a family member's unpleasant emotional state from a threat to a socioemotional goal is activated and increasingly encroaches on other prioritized socioemotional goals, the more likely he or she will be to display heightened emotion about the threat when approaching or communicating with another trusted family member (Kellermanns & Eddleston, 2006).

> *Proposition 7: At the interpersonal level, when a family member feels that prioritized socioemotional goals are threatened, he or she will express (emotionally display) the threat to another trusted family member.*

When a person displays or communicates unpleasant and activated emotions regarding a SEW threat to trusted family members, the family members witnessing the emotional display will also draw on (a) social information gathered from the frequency, duration, and authenticity of the family member's past emotional displays in various contexts and (b) evaluations about how similar the family member's emotional tendencies are to their own to interpret the degree to which the communicated threat affects their own ability to continue drawing emotional value from the family's socioemotional endowment (Morris et al., 2007; Zellweger & Astrachan, 2008). Thus, in dyadic family communications, depending on the level of closeness in a family member's emotional bond with the family member who displays a threat to SEW, as well as situational and individual differences in emotional reactivity to the emotional display, the family member on the receiving end of an interpersonal exchange can have varying levels of reaction and empathy relating to the communicated SEW threat (Bowen, 1993; Kellermanns et al., 2012). Regardless of whether the family member on the receiving end of an exchange empathizes with the family member who approached him or her about the threat, this begins the family emotional process in which the system seeks emotional equilibrium (Bowen, 1993). When this occurs, family systems logic suggests that one of two initial outcomes will likely occur: the family member who was approached will share a similar emotional reaction about the threat to SEW as the family member who initially experienced, communicated, and displayed the threat or the family member who was approached will disagree about the nature of the threat, creating emotional tension in this particular family dyad (Guerin et al., 1996). Either way, as long as one family member feels that the source of the threat is still endangering the family's SEW, the unpleasant emotion is likely to remain activated in interpersonal dynamics to the point that an emotionally distant third family member is "triangled into," or brought into communications

about the threat to SEW to diffuse, redirect, or address activated and growing emotional tension, the original family dyad (Bowen, 1993; Kerr & Bowen, 1988).

Although a triangle refers to a family structure in the family system that is triggered when activated unpleasant emotion is introduced to the system, triangulation, which is characterized by shifting emotional dynamics that continue to move unpleasant emotion around interpersonal relationships in the three interlocking dyads in the triangle, refers to the emotional process that members of a family system go through in order to diffuse, redirect, or address unpleasant emotion in the family system (Bowen, 1993; Minuchin, 1974). Triangulation occurs, to some degree, in all family systems under stress, as family members and the family system as a whole seeks emotional equilibrium (Bowen, 1993; Guerin et al., 1996). Although there are several ways a triangle could initiate and function in a family system under stress, where the consequences of a triangled family member's actions stabilizes or destabilizes the emotional connection that two family members initially had in a dyadic relationship, Table 1 offers examples of common triangle types identified by Kerr and Bowen (1988) that are applied to family firms facing different threats to SEW.

When examining the examples in Table 1, it is important to point out that triangulation is not static but is instead in constant motion, often taking several different and changing dyadic coalition forms that are triggered by emotional reactivity to other family members' advances, withdrawals, and missteps under highly activated emotional tension related to SEW (Guerin et al., 1996). For example, consider family dynamics regarding SEW in a triangle that is triggered by the death of a family patriarch or matriarch who was a valued decision-maker in the firm. A family member, worried that the family firm will fall into disrepair in the deceased family member's absence, perceives a threat to SEW and approaches a trusted family member who he

TABLE 2.1

Examples of SEW Threats and Shifting Emotional Dynamics in Family Triangulation

	Stages in Family Triangulation Processes Triggered by a Threat to SEW			
Triangle Types and Examples	An Affective Event Related to SEW	Unpleasant Emotion Crossover in Family Dyad	Emotional Discrepancy in Dyad Activates Triangle	Implications for a Threat to SEW's role in family and
Addition of Family Member Stabilizes a Dyad in Family Triangle(s) Example: Duck Commander (Yan & Ford, 2013)	An infomediary wants to censor family involvement in the firm (e.g. A&E Network attempts to censor Phil Robertson from the family's TV show)	A family member, tense from a threat to the family's ability to include a family member in the firm (cf. Gomez-Mejia et al., 2007), discusses the threat with another family member.	An altruistic family member (cf. Schulze et al., 2001, 2003), sensing anxiety and worry while observing the dyadic exchange, steps in to calm uneasiness and uncertainty, encouraging family support of other family	The third family member's intervention, changing the direction and intensity of emotion and emotional displays, helps balance emotion in the family (cf. Huy, 2002) and thus helps increase the family's ability
Subtraction of Family Member Stabilizes a Dyad in Family Triangle(s) Example: Tweetsie Railroad (Branch, 1998; McMillan, 1998)	Outside forces want to dissolve the family firm and purchase its assets (e.g. land developers tempt minority family shareholders to sell stock or sue Tweetsie)	A family member, upset that distant family members are helping outsiders try to force the sale of the company, approaches a trusted family member hoping that he or she will address the threat.	The trusted family member is ambivalent towards conflict in the family's growing factions (cf. Lansberg, 1988) and withdraws. The upset family member, not getting any help, draws another family member in to address the threat.	The newly formed family dyad tries to resolve emotional tension in the triangle by reasoning with the ambivalent family member but are unsuccessful, resorting to using a family trust agreement to remove the ambivalent family member (cf. Kidwell et al.,
Addition of Family Member Destabilizes a Dyad in Family Triangle(s) Example: Adelphia Communications (Kidwell, 2009)	A couple of family members commit corporate fraud together (e.g. John & Tim Rigas of Adelphia commit corporate fraud)	An outside family member, learning of the fraud and fearing its effects on the family reputation (cf. Berrone et al., 2010), confronts one of the family members who are participating in fraud.	The confronted family member, now anxious about being caught, tells the other dyad member about the outside family members' reputational concerns. Emotional tension about the threat now shifts around the three relationships.	In fear of the consequences of getting caught in fraudulent acts, the three family members argue among themselves, containing the unpleasant emotion in the triangle (cf. Bowen, 1993). During the arguments, the threat is constantly
Subtraction of Family Member Destabilizes a Dyad in Family Triangle(s) Example: Steinberg Inc. (Dyer, 2003; Eddleston & Kellermanns, 2007; Mintzberg & Waters,	An important family member dies (e.g. Sam Steinberg of Steinberg Inc. dies)	A family member, worried about the company's ability to continue without the deceased family member, displays distress to a family member he/she trusts can address the threat.	One family member in the dyad does not trust that the other family member will adequately address the threat and expresses that threat to another family member outside the original dyad.	Family members' differing emotional reactions to a SEW threat increases the salience of SEW and family issues. Emotions and actions activated by the threat are misdirected to the family issues (cf. Kellermanns et al., 2012) and the threat is not addressed.

or she believes will know how to best handle the threat. However, in the process, he of she senses through the other family member's display of emotion that they do not share the same feelings or sense of urgency. Still experiencing an activated unpleasant emotional state and now finding conflict with a person that he or she typically trusts, the family member attempts to triangle another person into the communications to either mediate or join sides with his or her view. Not only have such emotional dynamics in triangulation processes been argued to commonly occur in family firms in response to a family death (Lansberg, 1988) but family systems logic also suggests that any threat to SEW, as long as it is activated, will cause similar triangulation dynamics to unfold. Taking this into consideration, triangulation occurs because two family members have varying levels of (a) trust in each other and (b) individual differences in how they cope with unpleasant and activated emotions that leads them to bring a third person in to resolve these differences resulting from an unpleasant emotional social exchange (Guerin et al., 1996). Thus, under pleasant emotional states, two emotionally close family members can function well together. However, as activated unpleasant emotion constricts flexibility of behavior in the family, differing degrees of emotional closeness and trust in other family members' abilities to alleviate emotional tension becomes increasingly apparent, encouraging triangulation (Kerr & Bowen, 1988). Wanting to escape unpleasant emotional states, triangulation is a coping mechanism that helps the family member who has the most activated emotions seek emotional equilibrium in the family system (Bowen, 1993). Acknowledging triangulation's role in alleviating or redirecting tension in a family dyad, we offer proposition 8:

> *Proposition 8: At the interpersonal level, the less that an individual trusts another family member to address a threat to the socioemotional endowment, the more likely he or she is to initiate and/or participate in family triangulation.*

Family Functioning: The Family Emotional System's Effects on Group Behavior and Decision-Making

Soon after triangulation processes have commenced, interpersonal family dynamics function in a way that two emotionally close family members will take a side on an emotionally charged issue that is in opposition to or in exclusion of another more emotionally distant family member (Kerr & Bowen, 1988). The person who initiated the triangulation process can either be one of the emotionally close family members in the dyad or the emotionally distant outsider, depending on how well his or her emotional appeals are received by the new member of the triangle. Either way, the activated emotional nature of a threat makes it so that family members who are trying to cope with the threat do so by attempting to have other family members join their side or concede (Guerin et al., 1996). With this in mind, to the extent that a triangle cannot contain activated emotion among the three family members' relationships, one or more of the family members in the triangle will reach out to other family members outside of the current triangle for emotional support, creating interlocking triangles and expanding the extent to which triangulation binds unpleasant emotion in the family system (Kerr & Bowen, 1988).

Thus, triangulation processes are dynamic and very emotional, potentially expanding to include interlocking triangles in the family system (Bowen, 1993). With this in mind, it is important to point out that heightened emotional states, such as those experienced in family triangulation, interlocking triangles, and under a threat to SEW, are known to increase emotional contagion and the salience of emotion when interacting with others (Fiske & Taylor, 2008; Hatfield et al., 1993; 1994). A wealth of knowledge in the family sciences on the transmission of emotions in the family supports this, suggesting that the mimicry and feedback mechanisms of emotional contagion are constantly at play in the family system, especially when it is under stress (Larson & Almeida, 1999). Acknowledging "negative social stimuli are more salient than

positive ones because they are relatively unexpected" (Fiske & Taylor, 2008: 53), research on emotional contagion integrated with family research further suggests that mimicry and feedback during triangulation will draw family members' attention to, or increase the salience of, the emotional value held in their socioemotional endowment.

> *Proposition 9a: At the family level, the greater the extent of family triangulation related to a perceived threat, the stronger the relationship between family emotional contagion and the salience of emotional value held in the family's socioemotional endowment.*

Although family triangulation, especially over longer durations of time and across several interlocking triangles, will increase the salience of the socioemotional endowment among family members, it can lead to emotional factions within the overall family system. In some cases, emotional contagion during triangulation can bring others' attention to the threat and quickly aid in family decision-making that preserves the socioemotional endowment. In other cases, the distance between family factions can grow, increasing emotional tension and conflict in the system as the number of interlocking triangles increases and family members take a strong stance on differing sides of a debate over the threat to SEW (Guerin et al., 1996). This can affect family behavior by shifting emotions and their targets. For example, the longer that triangulation goes on, what could originally have been characterized as a family member's fear or worry over ability to continue pursuing goals that contribute to the socioemotionational endowment could turn to anger and resentment against other family members who do not share this view and thus prevent the threat from being addressed (Lansberg, 1999). In this way, family members can turn triangulation into splitting behavior, where a family member splits conflict by influencing another family member to instigate conflicts with a third emotionally distant family member who is in conflict with the first family member (Smith, 1989). In this and many other ways,

triangulation can become dysfunctional in the family system (Bowen, 1993; Smith, 1989) and threaten the whole family firm's survival under a threat to SEW.

However, it is important to point out that even though triangulation processes can sometimes be drawn out, the family system is self-regulating and will seek a state of emotional equilibrium even if it has to pull in other parties or institutions (i.e. the legal system) outside of the family system to accomplish this aim (Bowen, 1993). Placing this understanding within the family firm context and acknowledging that SEW stems from family control of a particular firm (Zellweger et al., 2012), the longer the family triangulation process or family dysfunction continues, and the greater the degree to which one or more family members still have activated and unpleasant emotions about a threat to SEW, the more likely they will be to turn to firm ownership and control mechanisms in order to control other emotional factions in the family system and address the threat to SEW (Bowen, 1993).

> *Proposition 9b: At the family level, the longer the duration of family triangulation associated with a threat to the socioemotional endowment, the more likely family members who share the threat perception are to use ownership and control mechanisms in attempts to address or diffuse the threat to the socioemotional endowment.*

DISCUSSION AND FUTURE RESEARCH

Our goal in this paper has been to address unanswered calls (e.g. Aldrich & Cliff, 2003; Berrone et al., 2012; Gómez-Mejía et al., 2011; Morris & Kellermanns, 2013; Sharma, 2004; Zellweger et al., 2012) to advance our knowledge of how and when emotion generates and preserves a family's socioemotional endowment by integrating an unexplored but crucial factor into the equation: the impact of emotion in family system dynamics. Specifically, we provide a detailed account of how family owners' idiosyncratic emotional states experienced during socioemotional goal pursuit influences emotional displays in family interpersonal exchanges, ultimately leading to emotional contagion and group dynamics that increase the salience of the

family's emotional value in the socioemotional endowment. The main driving assumption that underscores our theorizing suggests that the owning family's emotions and emotional dynamics are of substantial importance to our understanding of how and when family firms use their socioemotional endowment as a reference point for risk-taking and decision-making, further contributing not only to why family firms differ from non-family firms but also suggesting starting points for better understanding heterogeneity among family firms.

The infusion of a family firm's controlling family's emotional interactions into organizational dynamics and vice versa therefore accounts for unexplained aspects of SEW while also challenging implicitly held assumptions in the organization sciences regarding the appropriateness of certain emotional displays and their direction of influence in emotional dynamics. Recognizing that our discipline bridging theorizing has important theoretical implications for the family firm literature as well as broader work on emotions in the organization sciences, we acknowledge that our integration is not exhaustive and will require further attention as theory and research on emotions in organizations proceeds. In this regard, below we extrapolate our theorizing in the family firm context to a broader audience, discussing two contributions concerning how emotions' role in organizational dynamics affect firm level outcomes, before addressing specific aspects of family firms and providing a sampling of outstanding concerns and future directions for research related to dimensions of SEW.

Negative Emotional Displays' Use As Social Influence Mechanisms

Our emphasis on how family members use unpleasant or negative emotional displays and react to others' emotional displays during interactions that influence family functioning and family firm outcomes addresses theoretical needs to examine the interactive characteristics of emotional displays in organizations (Ashkanasy, 2003; Ashkanasy & Humphrey, 2011;

Kopelman et al., 2006). In doing so, our emphasis on SEW's blurred lines between emotions in family and business systems also challenges widespread assumptions in several organizational literature streams that imply "positive emotion should be displayed and negative emotions should not" during interpersonal exchanges within the organization (Diefendorff & Richard, 2003: 284; Hochschild, 1983). Alternatively, we suggest that the inherently emotional nature of a family system coupled with aspects of the business system can warrant intense displays of negative emotions among family members that not only have little organizationally sanctioned repercussions but that can also have positive collective and firm level outcomes related to the family's socioemotional endowment. Indeed, although emotional labor research in management typically has normative implications for emotional displays, arguing that positive emotional displays are required in communications up and down the organizational hierarchy and that negative displays can have detrimental consequences, there are "many layers of manipulation – of self and others – embedded in emotional labor" (Steinberg & Figart, 1999: 23). Acknowledging that negative emotion can play a vital and balanced function in the family system (Morris et al., 2007), we argue that displaying negative emotions in relation to perceived threats to valued organizational goals can also serve as a stark and salient motivator, encouraging others to join in a search for ways to reduce these threats. For family firms, these goals are tied to the family's pursuit of SEW but similar nonfinancial goals are known to exist in several contexts, such as social enterprises (Miller, Grimes, McMullen, & Vogus, 2013), community organizations (Peredo & Chrisman, 2006), and nascent start-ups (Baron, 2008), and are thus expected to have comparable consequences to the extent that there are "family-like" interdependencies in these organizations (cf. Barnett & Kellermanns, 2006; Hirschhorn & Gilmore, 1980).

Triangulation's Role in Emotional Dynamics and Collective Firm Outcomes

Furthermore, considering family dynamics in this paper allows us to highlight the interpersonal and oblique nature of triangulation as a vehicle for an organization's emotional dynamics and balancing (Huy, 1999, 2002). Although family systems research is built on general systems logic and argues that triangulation will also be inherent in other social systems, little research in management has examined the processes and roles of emotion in triangulation within organizations (Hirschhorn & Gilmore, 1980; Smith, 1989). In proposing how emotional and change dynamics affect radical change, Huy (1999) suggests that organizational members' receptivity, mobilization, and learning in regard to changes in emotional dynamics and emotional display rules aids top down induced organizational change. Huy (1999) suggests that organizational members' identification with and loyalty to the firm are crucial for top-down driven change. Here, we echo these arguments but, as implied by research that argues that there is heterogeneity in SEW across and within family firms (Chrisman & Patel, 2012) and demonstrated in our theorizing and anecdotal evidence, we suggest that changes in collective emotional outcomes in organizations can also aggregate from the bottom up and have extended periods of emotional heterogeneity among group members through group triangulation. Acknowledging that such momentous efforts to challenge the status quo and change collective outcomes do not occur in a vacuum, trust and shared emotions with other organizational members, as well as strategic timing of interpersonal dynamics, are necessary to achieve such feats through triangulation. Nonetheless, our theorizing suggests that highly activated emotions and trust in others who share these emotional states can be a sustaining and core aspect of upward influence in organizations.

Family Emotional Dynamics' Effects on the Proposed FIBER Dimensions of SEW

Conclusively, when juxtaposed with research exploring SEW's proposed dimensions of family influence, family identification with the firm, family bonds through the firm, family emotional attachment, and renewal through family succession (Berrone et al., 2012), our discipline-bridging theorizing opens new paths for family firm scholarship to further examine emotion and family system dynamics' meaningful contributions to important aspects of SEW and family firm behavior. Therefore, acknowledging several unanswered but connected research questions that our theorizing evokes, below we provide a sampling of some of the most pressing implications for future SEW research and its FIBER dimensions (See Berrone et. al, 2012).

Family Control and Influence. As a heavily cited differentiating factor of family firms (König, et al., 2013) and thus SEW, family firm researchers have long argued that family control and influence over the business and its strategic decisions contributes to the unique essence of family firm behavior (Chrisman & Patel, 2012; Chua et al., 1999). SEW research building on this understanding of family firms has often captured the concept of family control and influence using proxy measures for firm ownership (e.g. Chrisman & Patel, 2012; Gómez-Mejía et al., 2007). However, "the ability to exercise authority vested in family members can emanate from a strong ownership position, from an ascribed status, or from personal charisma." Indeed, paired with the interpersonal aspects of our theorizing, this argument lends itself to a wide range of future research directions examining how family members' social and political skills and family dynamics resulting from the use of these skills can build authority and therefore influence business outcomes. Thus, future research on SEW has several prospects for further understanding the power of family influence and control resulting from family and social positions, irrespective of ownership positions.

Identification with the Firm. Family firm Scholars have argued that the interwoven family and organization systems gives rise to an integrally unique identity within the family firm, where owner identities are inextricably tied to the firm (Berrone et al., 2010; Deephouse & Jaskiewicz, 2013). However, there are discrepancies in the literature on how long family members and generations identify with the firm (Gómez-Mejía et al., 2007; Zellweger et al., 2012). Our theorizing implies that these differences can derive from idiosyncratic characteristics of the owning family, including its size, structure, boundary separation between family and business, and emotional functioning (cf. Morris & Kellermanns, 2013), that are likely fertile future research directions for moving beyond explaining why family firms are different from nonfamily firms to explain why they are more heterogeneous and different from each other (Chrisman & Patel, 2012).

Binding Social Ties Through the Firm. The binding social ties dimension of SEW refers to the family's social relationships within and outside the firm that provide SEW. In this paper we extend theorizing on the role of binding family ties, arguing that a threat can restrict social ties that scholars typically find to be a source of competitive advantage for family firms (Arregle et al., 2007). While we have addressed binding social ties inside the firm, future research is needed to explain how social ties outside the firm help or hinder family firms facing SEW threats. Furthermore, our focus on emotions in family system dynamics pushes future research to move beyond focusing on just who is a social tie to also examine when and what type of social tie is needed to emotionally sustain SEW at different times and stages of the family firm.

Emotional Attachment to the Firm. Acknowledging that the boundaries between the family and organizational systems are blurred in the family business context (Gómez-Mejía et al., 2011), family firm scholars have brought attention to how emotional attachment to the firm

increases when family emotions permeate the organization (Berrone et al., 2012), often emphasizing how this has positive implications for the firm (Kellermanns et al., 2012). However, our analysis' use of triangulation, which is also found in excess in enmeshed families, or families with poor boundary differentiations that dysfunctionally prioritize family goals over individual needs (Minuchin, 1974), potentially suggests that the opposite relationship, where the organization's infusion into the family system has negative consequences on individuals, could also hold in some family firms. To this aim, we suggest that future research should explore the dark side of family emotional attachment (cf. Kellermanns et al., 2012), where SEW can entrap family members in the organization and lead to impoverished individual well-being.

Renewal of Family Bonds to the Firm Through Family Succession. Intra-family succession has been a cornerstone of the family firm literature since its inception (Lee, Lim, & Lim, 2003; Sharma, 2004). As Zellweger et al. (2012) notes, succession is a crucial element for SEW's long-term preservation. Acknowledging this, family sucession research often takes a normative approach that assumes family planning and family satisfaction are critical factors for succession's role in SEW (Sharma, 2004). These normative models of family succession therefore generally assume that cases where the incumbent generation does not want a family transition "are not of great interest to researchers who aim to help family businesses manage their succession processes better" (De Massis et al., 2008). However, factoring in other family members' SEW, as illustrated in this paper's anecdotal evidence, suggests that the next generation can break the order of hierarchy to preserve SEW and that even messy succession processes can have important implications for family functioning and subsequent SEW levels after a family conflict over succession.

CONCLUSION

Coupling family systems logic with Ashkanasy's (2003) multi-level model of emotions in organizations to better understand how family firm SEW is generated and preserved, our research addresses the importance of further understanding how individual emotional displays and interpersonal emotional dynamics influence collective firm level outcomes in family firms. Although family firms are a situated context, these mechanisms likely extrapolate to broader organizational settings to explain how individual level emotions can affect collective firm outcomes and decisions (cf. Huy, 1999, 2002, 2012). In this way, for both the family business and broader organizational literatures, we hope that our theorizing encourages various research conversations to examine taken for granted aspects related to how emotion and family dynamics influences collective outcomes in organizations.

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ESSAY 3

MORE THAN A FEELING: THE PROMISE OF EXPERIMENTAL APPROACHES FOR BUILDING THE AFFECTIVE AND COGNITIVE MICROFOUNDATIONS OF FAMILY FIRM BEHAVIOR

Disclosure: This essay is the first draft of a published paper that I have co-authored with Tim Munyon in the *Routledge Family Business Companion*. The original ideas behind this essay were all my own. I wrote 85% of the paper; Tim contributed writing material to the "Manipulation Checks" and "Dependent Variable" sections of the paper. The published version of this essay can be cited as:

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ABSTRACT

Family business scholarship has long argued that family firms behave differently than their nonfamily counterparts. At the root of these arguments, researchers suggest that factors such as nonfinancial goals and emotions help drive family firms' unique strategic outcomes. Yet, family firm research to date focuses primarily on strategic factors, employing latent measures that do not directly assess many of the literature's critical underlying assumptions. Here, we propose that experiments can be a useful methodological tool for directly examining the affective and cognitive microfoundations driving unique family firm behaviors. Using recent research on socioemotional wealth in family firms as examples, we outline steps and guidelines that are useful for designing and implementing experiments that extend family firm microfoundations.

Although we may not always be aware of it, our emotions impact the decisions that we make and the goals that we pursue. Indeed, affective and cognitive functions are shown to operate simultaneously in the brain's amygdala, leading affect to have pervasive effects on a number of important outcomes across countless social domains (Dolan, 2002). Research on family firms, and more recently socioemotional wealth (SEW) in family firms, largely operates on an implicit assumption that the inherently emotional nature of the controlling family introduces a higher proportion of nonfinancial goals in family firms when compared to their nonfamily counterparts, leading them to have unique strategic outcomes (Gómez-Mejía, Cruz, Berrone, & De Castro, 2011). Yet, despite core assumptions about emotion and nonfinancial goal pursuits in family firms, much of the extant family firm research does not directly measure them (Zellweger, Kellermanns, Chrisman, & Chua, 2012). Recognizing the impact and momentum of emerging research on socioemotional wealth, or the family's stock of affective utilities in the firm, in family firm decision-making, it is a crucial and opportune time to start building research on the family firm's microfoundations (Berrone, Cruz, & Gómez-Mejía, 2012).

The discipline of psychology has a rich history utilizing experiments to test and examine emotion and goal pursuits' roles across various domains. Drawing from this research, in this chapter we offer a guide for designing experiments that can support SEW theorizing. Through these efforts, we hope to offer methodological approaches that can help build SEW's microfoundations, moving research beyond a dichotomous view of family firms vs. nonfamily firms to an understanding of heterogeneity within and between family firms. However, we cannot cover all of the necessary theoretical and methodological ground needed for this venture into the psychology of SEW within the page limits of this chapter, so we have purposefully been selective in what is covered and have provided references to other sources so that interested

parties can have a better understanding of experiments' usefulness for extending the microfoundations of SEW. We therefore begin with a brief introduction to SEW and experiments before moving on to a guide for designing and implementing experiments that examine SEW's microfoundations.

SOCIOEMOTIONAL WEALTH AND FAMILY FIRM MICROFOUNDATIONS

Growing scholarly discourse centered on family firms' SEW, or the "non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty" (Gómez-Mejía, Haynes Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007: 106), contributes significantly to the theory of the family firm, predicting why and when family firms' emotional attachment to SEW leads them to make decisions differently than non-family firms. Originally conceptualized by Gómez-Mejía and colleagues (2007), the SEW theoretical perspective integrates Behavioral Agency Theory's (Wiseman & Gómez-Mejía, 1998) assumptions about executive risk preferences with over three decades of family firm theorizing to propose that family firms differ from nonfamily firms because family members (1) use their SEW endowment rather than financial endowment as the dominant decision reference point (2) frame decision alternatives as either gains of losses in SEW and (3) are generally risk averse when facing SEW gains and risk-seeking when facing SEW losses. Family firm theorizing, finding that SEW preservation is more intrinsic than financial reference points in family firms (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010), therefore suggests that family firms differ from nonfamily firms because threats to SEW generally put the family in a loss mode, leading to strategic choices that can ignore financial logic, come at the expense of other stakeholders, and even put the firm at risk if this is what is required to preserve SEW (Berrone et al., 2010; Berrone et al., 2012).

Family firm scholars have made tremendous strides outlining the general tenets of SEW theory (Berrone et al., 2012). However, extant family firm research generally focuses on the firm related consequences of SEW preservation decisions rather than the psychological mechanisms related to emotion, goal pursuits, and interpersonal family dynamics that are thought to underpin them (Gómez-Mejía et al., 2011). To date, family firm research has largely relied on latent measures of SEW in archival studies (Berrone et al., 2012). Many scholars note that without explicit theory and methods to address the nuanced affective, cognitive, and motivational processes underpinning SEW preservation decisions, or what we refer to in this chapter as SEW's microfoundations, future research runs the risk of not understanding family members' causal roles in the theory of the family firm (Schulze & Kellermanns, 2015). Acknowledging the appropriate fit that social psychology experiments offer for meeting the needs at hand, in this chapter we articulate how experimental approaches can be used to build research on family firms' microfoundations.

A GUIDE TO DESIGNING SEW EXPERIMENTS THAT EXTEND FAMILY FIRM MICROFOUNDATIONS

Although current approaches to SEW research use latent and indirect measures of emotion and goal pursuits, psychologists have long examined emotion and goal pursuits using experimental approaches (Harmon-Jones, Amodio, & Zinner, 2007). Experiments are some of social psychologists' strongest methodological tools for causal inference. At the core, two key attributes define an experiment: (1) participants are randomly assigned to conditions and (2) researchers manipulate the independent variable(s) between or within conditions while holding other variables constant (Wilson, Aronson, & Carlsmith, 2007). Researchers can undertake within-subjects designs or between subjects designs that address these two attributes. Here, while much of what we discuss does apply to within-subjects designs, we will mainly focus on

between-subjects designs (for more information on within person experimental designs and their applications, refer to Greenwald, 1976).

Experimental methods have several advantages that allow researchers to make stronger causal inferences than they can with correlational or other methods. First, psychologists often rely on experiments for studying affective and cognitive phenomenon because they allow more control over variables (Wilson et al., 2010). An experiment allows the researcher to isolate and manipulate a theoretically important variable (independent variable) to observe its effect on another important variable (the dependent variable). Random assignment ensures greater control because participants all have an equal chance of being in any group, thus reducing systematic biases and helping control for confounding relationships. Indeed, random assignment acts as an important equalizer. When there is a large enough sample, researchers can be reassured that individual differences among participants are equally distributed across conditions. Any observed differences between conditions in the experiment are then likely due to the manipulation of the independent variable. Recognizing experimental approaches' benefits, below we discuss the steps and decision points – 1) setting the stage, 2) constructing the independent variable, 3) measuring the dependent variable 4) post-experimental procedures, and 5) additional steps to extend findings - that go into experimental design.

Setting the Stage

Compared to methods that employ archival data and latently measure SEW preservation outcomes at the firm level, experimental efforts to examine the causal root of family firm decision-makers' reactions to changes in SEW require more invention and direct access to desired family firm populations (cf. Zellweger et al. 2012). When designing an SEW experiment, scholars can manipulate the context within which family firm members make decisions and

therefore are afforded opportunities to ascertain the effects of family members' emotions, goals, and other theoretically relevant variables on SEW preservation outcomes. Because researchers have more control in experimental studies than correlational studies, family firm scholars that employ experiments have the ability to examine core but often directly untested assumptions of the family firm literature.

Researchers must therefore take great care to set the stage, or context, for family firm experiments so that theoretically interesting relationships that extend the microfoundations of SEW are not confounded but instead shine through. Family firm researchers have several experimental tools at their exposure, such as vignette study and conjoint analysis experimental approaches (e.g. Aguinis & Bradley, 2014). However, we believe that traditional social psychological experiment approaches that employ cover stories, or some form of misdirection and/or deception, are especially powerful for research questions involving emotion and goal pursuits in SEW. Indeed, experiment participants are generally intelligent and curious adults that might change responses to conform to social expectations or what they believe the experimenter intends to measure. Cover stories that misdirect participants from the true purpose of the study but still provide a sensible, internally consistent, pretext and rationale for the context enriches both data collection efforts and the chances that participants do not detect the true intent of the study (Wilson et al., 2010).

It is important to note that researchers should try to fully consider what is required of the research question, allowing them to frame a cover story that is as theoretically tight and psychologically plausible (Harmon-Jones, Amodio, & Zinner, 2007). Often, less is more with experimental design. If a simple setting or context successfully provides a plausible cover story and captures the attention of participants then there is little need to expand or embellish a cover

story. However, in contrast, for more complex SEW research questions and in-depth micro-oriented theoretical SEW problems, it might be harder to capture the attention of family firm owners than general population managers or employees. In many cases, cover stories that selectively embellish key details can increase the validity of research designs (Harmon-Jones et al., 2007; Wilson et al., 2010).

For example, suppose family firm researchers want to understand how family business members directly respond to SEW threats tied to potential family firm failure. Researchers could try addressing this research topic through a vignette experiment asking family business participants what decisions they might pursue or what emotions they might experience if they learned that their business was likely to fail. However, critics argue that a vignette experiment by itself might not necessarily capture how participants react to stimuli in reality (Aguinis & Bradley, 2014). Family business experimenters have stronger chances of realistically arousing strong emotions and more drastic SEW preservation decisions when they craft a cover story that is selectively embellished with real contextual features tied to the participant's family business. For instance, experimenters could present family firm decision-makers with a cover story that they are demoing a financial forecasting software program. Using this cover story, participants would enter information about their business in a faux software program with the expectation that they receive realistic feedback about their business' future projections. The plausibility of the cover story can be enhanced by being administered in a sales or professional environment, such as that of a tradeshow. In reality, regardless of what financial and nonfinancial information participants enter into the faux software, they are randomly assigned to a "projected business failure" condition, "projected business survival" condition, or a control condition. One could go further to provide advertisement material for the faux software that also serves as an independent

variable manipulation that accompanies the business failure independent variable manipulation. Dependent variables such as family members' emotional reaction to threat of failure or intended actions to mitigate potential business failure could be captured in a faux customer feedback survey incorporated at the end of this software demo cover story.

The point we are making with the above example is that when conducting a family firm experiment that aims to manipulate and change aspects of family members' SEW, the reasoning for the cover story should be as airtight as possible. Researchers must carefully set the stage, considering how the context of a cover story addresses the research question of interest while also keeping family business participants unaware of the true intent of the study. There are accumulated benefits that come from carefully designed experiments. Although all variables of interest might not tightly fit into one experiment, as we will elaborate more on later, researchers can combine other similar but slightly differing tightly designed experiments and well-executed research methods with an experiment to make stronger causal inferences for a SEW related phenomenon (cf. Eid & Diener, 2006).

Constructing the Independent Variable

Experiments cannot test their hypotheses unless their independent variables manipulate what they are supposed to manipulate. Consequently, independent variable construction is one of the most important and difficult aspects of experimental design (Wilson et al., 2010). In order to be theoretically rigorous, researchers should design independent variable manipulations that only manipulate what they intend to manipulate. Similarly, comparing a manipulation to a control group can be extremely useful. Control groups fundamentally allow researchers to understand how participants not exposed to the stimuli would respond, providing a stronger causal inference than even "high" or "low" levels of a stimulus. In a perfect world, it is useful to

randomly assign participants to varying levels of a stimulus or a control. Researchers must also be cautious about priming participants using pre-tests or instructions, as this can introduce a variety of spurious influences into findings via social desirability, self-presentation, and even deviance mechanisms. Pre-recorded instructions are one way of ensuring that participants receive the same information and non-verbal cues concerning an experiment.

When constructing independent variables, researchers begin with conceptual variables, which are the theoretically important variables that the experimenter thinks will have a causal effect on the desired dependent variable. Understanding the nature of the conceptual variable, the researcher is tasked with designing a manipulation or procedure in the experiment that captures the nature of the conceptual variable as perfectly as possible without influencing other factors (Harmon-Jones et al. 2007; Wilson et al. 2010). There are several effective vehicles for independent variable manipulation, including audiovisual stimuli (Rottenberg, Ray, & Gross, 2007), interaction tasks (Roberts, Tsai, & Coan, 2007), mental image or memory recall tasks (e.g. Shteynberg, Hirsch, Galinsky, & Knight, 2013), and vignettes (Aguinis & Bradley, 2014), that can be used to operationalize a conceptual variable. Recognizing this, below we will discuss how various potential SEW and emotion manipulations can be operationalized in studies intending to extend the microfoundations of SEW.

Socioemotional Wealth Manipulations. At its core, SEW concerns family member pursuit and achievement of non-financial goals using family firm resources (Berrone et al., 2012). SEW pursuit describes the behaviors family members use to amass a stock of SEW, while research on SEW achievement describes the well-being and satisfaction outcomes felt by the family once these goals have been achieved. The SEW literature has shown that family control (Gómez-Mejía et al., 2007), reputation (Berrone et al., 2010), succession (Zellweger et al., 2012),

stakeholder engagement (Cennamo, Berrone, Cruz, & Gómez-Mejía , 2012) are important goals for controlling families. The broader family firm literature also has demonstrated that other goals, such as those related to a spiritual mission (Kellermanns, 2013), can also guide the strategic behavior of controlling families.

When manipulating goals contributing to SEW in an experiment, it is important to recognize the principle of *goal shielding*, which occurs when mental representations of competing goals are inhibited by the mere activation of a focal goal (Shah, Friedman, & Kurglanski, 2002). This principle suggests that successfully manipulated SEW goals will illicit a participant behavioral and/or attitudinal response. Thus, manipulations may be used to prime participants to consider specific aspects of SEW during an experiment. For example, if interested in family control's role in SEW, researchers can ask participants in one condition to consider how they would respond if their companies were subjected to an initial public offering (IPO) or hostile takeover that reduces or eliminates family control. The experimenter wouldn't necessarily be interested in their response as much as in eliciting participant cognitions concerning (lost) family control. Exposing participants to a vignette about a family losing control of their firm might also elicit a similar response.

Subtle manipulations can also be used to capture the correspondence between SEW goals and participant behaviors. For example, SEW can be manipulated by exposing the participant to others. For example, asking participants to show pictures of or discuss loved family members during an interview may activate goal of succession in the participant's cognition. On a similar note, research has shown that companies engage in "greenwashing" to the public when they espouse environmental values in word only (e.g., Dahl, 2010), and it is plausible that the same phenomenon could occur in family firms. To test whether family firm participants actually

practice their espoused beliefs concerning environmental practices (cf. Berrone et al., 2010), one could offer participants a bottle of water or soda during an interview or task. By continuing the simulation until the bottle was empty, the researchers could see if the participants place the empty bottle in a recycling bin or wastebasket when leaving the interview or task. Placing the wastebasket in the lab and the recycling bin outside would demonstrate additional effort as long as the researchers could demonstrate (perhaps through a pilot) that participants were aware of the recycling bin's presence.

Emotion Manipulations. Emotion and affect can be very complex phenomena. There are several differences in emotional states that should be taken into consideration when designing a study. At its core, the choice of emotion, mood, or both must reflect the theoretical questions being asked. It is also critical to measure affective states appropriately since they fluctuate by moment, hour, time of day (e.g., morning, afternoon, evening), day, week, or in general (see Watson & Clark, 1997 for related discussion). Affective states are also thought to fluctuate according to set individual rhythms (Frijda, 1988). Thus, experiments incorporating affect must first decide which type of affect to use, and then decide at what point in time its measurement is most appropriate. After selecting the appropriate affective state and considering how it will measured, it is critical to consider how the affective state of the participants will be manipulated (or not altered in the control condition). This is where a cover story can be useful – incorporating details that fit the appropriate affective state researchers are trying to capture while also keeping participants from understanding the true purpose of the experiment itself.

In their research on anxiety and negotiation outcomes, Brooks and Schweitzer (2011) undertook four experiments that manipulated participant anxiety in negotiation tasks. In the first experiment, these researchers exposed participants to several minutes of music from either the

movie *Psycho* (anxious condition) or Handel's *Water Music: Air* (neutral condition) while they worked on a negotiations task. In this study, participants were given the cover story that they were needed to evaluate music as part of a separate study unrelated to their negotiations. In the second study, the researchers changed the operationalization of the independent variable so that video clips were used to induce emotions in the negotiation task. Then, Brooks and Schweitzer (2011) used the same video manipulations in study 3 and study 4 but changed the dependent variable to examine different theoretically related outcomes in negotiations. In each of these studies, participants were given a cover story that shrouded the true purpose of the study. However, it is important to note that the cover story did not include a risk of significant harm to participants. The cover stories were also used because of the risk of contamination and bias should participants uncover the true purpose of the study. Of course, this implies that cover stories may be unnecessary in studies where such social desirability or participant awareness concerns are less of a risk.

Cover stories are also less needed when well-validated manipulations are used. For example, Lang, Bradley, and Cuthbert (1999) produced an emotional stimulus measure that exposes participants to a selection of more than 600 pictures that induce discrete emotions. Robinson and Clore (2001) tested this measure to ascertain whether participants would report similar levels of emotion when responding in a concurrent simulation or online context. Their findings suggest that participants in the concurrent simulation experienced more fear, anxiety, and excitement than participants in the online condition when exposed to the commensurate slides. However, it is also notable that participants in both settings had largely convergent estimates, implying that discrete emotions may be consistently manipulated in either setting.

Although such "off the shelf" measures are intuitively attractive, we advocate that researchers consider how the overt manipulation of emotion may inform participants about the underlying purposes of the research, which can result in spurious variance. For example, the Lang et al. (1999) measure has been used to test a variety of physiological responses that accompany emotional activation (reviewed in Robinson & Clore, 2001). Such applications are not prone to social desirability or participant awareness concerns in the same manner as social science applications.

Subtle ways of eliciting emotion often rely on the senses or interpersonal interaction (see Harmon-Jones et al., 2007 and Roberts et al., 2007 for reviews). The aforementioned Lang et al. (1999) measure accomplishes this through the visual presentation of pictures. Brooks and Schweitzer (2011) incorporated music (i.e., sound) as their manipulation, and this could easily be modified. For example, unpleasant traffic and construction sounds may be used to elicit negative emotions, while exposure to positive sounds like singing birds may be used to elicit positive emotions or put individuals in positive or negative mood states before completing a SEW related experimental task. Similarly, pleasant or unpleasant odors can activate emotion and modify mood. Certain smells may also elicit memory recall and concomitant emotion in individuals. Even touch may elicit emotions and modify moods based on the participant's comfort and interaction with an environment. For example, placing participants in chairs that are too high, too low, or squeaky would likely induce negative affect, particularly in high-stress task situations. In an extension to the Ward and Keltner (1998) experiment, group participants could be given too few chairs for everyone to sit, with the expectation that those forced to sit may experience negative affect as a result.

Manipulation Checks. To insure that researchers have indeed manipulated what they intended to manipulate, it is important to incorporate manipulation checks in the experiment. Manipulation checks can be direct or inferential, but are essential to ascertain if and how experiments function. Direct manipulation checks involve interviewing or surveying participants before and after exposure to a given manipulation. Inferential manipulation checks involve observing participants and inferring the presence of manipulated states based on differences in behavior. For example, strong activated emotions, such as anger and surprise, often manifest outward physiological signs in the participant. The advance of inferential manipulation checks is that the researcher reduces the probability of influencing the results through observer- or subject-expectancy effects. However, inferential manipulation checks should only be used when manipulation checks would unduly prime participants or represent an intrusion to the experimental process. Inferential manipulation checks also necessitate coding by outside observers, increasing the research burden.

Conversely, direct manipulation checks often include pre- and post-test surveys or interviews. The former reduces the possibility of observer-expectancy effects; although, subject-expectancy effects are still a possibility. Ideally, manipulation checks are designed in intervals and with a cover story that reduces the prospect of incurring bias. For example, manipulation checks in the software demo example offered earlier could be incorporated in the customer feedback survey part of the cover story under the guise of better understanding how the software affects feelings of prospective customers. In experiments where participant-expectancy effects are not viewed as detrimental, direct manipulation checks may simply involve giving individuals a standard survey to complete while being debriefed. The advantage here is that such scales can easily be interpreted statistically to ascertain if the treatment(s) worked as intended. Such scales

can also measure intervening mediator variables thought to underlie affective-cognitive processes.

Measuring the Dependent Variable

As mentioned previously, proper specification of an experiment requires forethought regarding the placement and manipulation of variables. However, there is sometimes a tendency among experiments to focus on manipulations at the expense of the criterion, or dependent, variable. This is certainly a possibility for family firm researchers, so here we will briefly discuss various approaches to collecting dependent variables and then review some of the potential levels of analysis that could be useful for extending SEW's microfoundations.

A main dilemma that researchers face in measuring dependent variables in experimental research is whether to use self-report, physiological, or behavioral measures. If researchers are using a cover story, the quality of the cover story and potential tradeoffs between types of measures that can plausibly be incorporated in it should be taken into consideration. Ideally, behavioral and physiological measures are preferred because, if properly disguised in a cover story, they are not as vulnerable to social desirability as self-report measures. However, the reality of the context for the cover story helps guide the appropriate use of a dependent variable measure. For example, it would be difficult to plausibly incorporate physiological measures (such as heart rate or hormone levels) in the software demo cover story mentioned earlier but self-reports (e.g. Watson et al.'s 1988 PANAS scale) of emotional reactions can more easily be incorporated in the customer feedback survey aspect of the cover story. However, different cover stories that draw on narratives related to participant health and wellness in the workforce might be more suited for using physiological dependent measures.

Additionally, it is important for the dependent variable's level of analysis to fit the context of the research question. Research in the SEW literature has a tendency to make arguments about emotion and goal pursuits that are suited to individual and dyadic/family levels of analysis but that are instead measured at the firm level. Research questions and designs that are aimed at individual, dyadic/family levels could therefore be especially helpful for disentangling theoretical confounds and extending family firm microfoundations.

At the individual level, a first possibility is for researchers to capture the subjective well-being or satisfaction that family firm members derive from SEW. Assumptions about the importance of SEW to individual family members are widely held but rarely tested. If SEW truly provides non-pecuniary affective benefits to family members, then manipulations should also influence reports of SEW benefits in an experimental setting. Such outcomes could be measured using self-report or behavioral measures.

Second, researchers could develop research questions and designs that examine family member dyads of interest, such as founder and successor or spouse dyads. Testing at the dyadic or family level requires the incorporation of more than one family member either directly within an experiment or indirectly as a part of the experiment. Here, researchers might evaluate conflict between family members regarding the prioritization of SEW or its representative issues, such as succession, under varying treatments.

Finally, there is the strategic, or firm, unit of analysis. Testing at this level is difficult because the researcher must observe and measure behavior *in situ*, or enable participants to make prospective judgments regarding firm actions under varying conditions. The latter provide less valid results since behavioral intentions, rather than behaviors, are measured. For example, family member firm financial valuations, propensity to sell to non-family members, divestiture

or acquisition of units, and expansion goals may all be affected by SEW prioritization, affect, and other cognitions of interest. When experimenting on the family firm member population, it is important to consider whether the participant is positioned to adequately make the needed inferences. Thus, participant screening can also be a useful tool to ensure that participants are exposed to firm operations in a manner that enables them to adapt firm activities.

Post-Experimental Procedures

An experiment, especially if it employs a cover story, should not end after the researcher has collected the last dependent variable. When deception is used in an experiment, participants should gently be debriefed about the true purpose of the study as soon as possible after completing it. Debriefing participants has both important ethical implications and research design implications. We will briefly discuss these implications here.

When debriefing participants, researchers have three main goals: (1) to make sure that the participant leaves the experiment in a healthy frame of mind (2) to explain and make certain that participants understand the importance and purpose of the study's hypotheses, manipulations, and outcomes and (3) to gain feedback on the effectiveness of the manipulations and procedures so as to discern whether participants were able to identify the true intent of the study. When deception is involved in a research design, depending on the severity, manipulations can pose potential risks such as stress or emotional distress. Therefore, it is important for researchers that use deception to be cognizant of how the study is debriefed.

Consequently, researchers often have to approach debriefing in a thoughtfully deliberate and caring way. A best practice approach to debriefing is to first ask the participants if they have any questions about the experiment. If they do not, then the experimenter should ask the participant to discuss whether they thought the instructions and purpose for the experiment and

each part of it was clear. Furthermore, it is good to explain that people react to experimental studies in many ways and ask them how they feel they were affected by the experiment. Following a logical flow like this allows the experimenter to probe for demand bias or participant awareness of the true intent of manipulations while gradually and gently debriefing participants.

Additional Efforts That Can Extend Experimental Findings

We have continually emphasized the importance of using experiments to extend the microfoundations of SEW. Indeed, independent variable manipulations allow experimenters to observe how family members actually react to SEW change. However, it is important to note that not all variables of interest for a research question can always fit into one study. When researchers want to delve deeper to rule out alternative explanations or explore a SEW phenomenon further, a multimethod approach can be used to triangulate and potentially extend and strengthen the results of an experiment. Indeed, multimethod research programs are a common practice in social psychology and organizational behavior scholarship. Scholars in these areas put a great deal of thought into how each study builds on and enhances the previous one. Researchers employ multiple studies to offset weaknesses or alternative explanations for one study with the research design of another study. Such an approach could be extremely useful for family firm scholars who want to extend the microfoundations of SEW. Experiments can be bolstered with several types of other research designs, such as other experiments, experience sampling methods, surveys, qualitative studies, and archival studies. Below we provide some examples of published research and potential methods that can be combined with experiments to create a stronger theoretical impact.

Other Experiments. It is a common practice in social psychology to offset the weaknesses of one experiment with other experiments. Brooks and Schweitzer's (2011) research on anxiety and negation provides an excellent example of how several experiments can be used to reinforce and enhance research findings. Whether it is with another between-subjects design or a within subjects design, social psychologists often try to replicate but slightly vary the design between experiments. These scholars often use different operationalizations of independent and dependent variables to build additional confidence in the experimental results. This is accomplished by demonstrating what researchers intended to manipulate was indeed manipulated not only once but also across different settings and with different samples.

Surveys. Additionally, an experiment can often be combined with a carefully crafted survey that first helps establish correlational relationships of a phenomenon. After establishing correlational relationships in a survey an experiment can be used to get at the causal mechanisms underlying the relationships. As an example, Fast and colleagues' (2013) research examined the role of manager self-efficacy in soliciting employee voice. To address this research topic, the researchers first used a field survey to find support that managers who have lower self-efficacy are less likely to solicit employee voice. Then, wanting to establish a stronger causal direction for this relationship, these researchers manipulated low self-efficacy in an experiment to show that it leads to less solicitation of employee input. Considering that there are several SEW relationships in the literature that are implied but not directly tested, similar approaches that first establish a relationship with a survey and then examine the causal roots with an experiment could prove very beneficial for extending the microfoundations of SEW.

Experience Sampling Methods. Considering that emotions are temporally situated and occur in response to events that change valued goal pursuits, experimental approaches are some

of the most appropriate methods for researchers that want to examine different emotional reactions between groups experiencing various levels of SEW change. However, researchers that want to replicate or extend experimental findings to also account for within person affective or cognitive states over time and in a more ecologically valid setting can pair their experiment's findings with experience sampling methods (Beal & Weiss, 2003). Experience sampling methods are useful because they provide a systematic way to collect samples of ongoing affective states, cognitions, and/or behaviors in real time. For example, Seo and Barrett (2007) used experience sampling to examine how emotional and financial concerns interact in decision-making during a stock-investment simulation that went on for 20 consecutive business days, findings interesting results that suggest more intense feelings aided decision-making performance in this financial task. Just as Seo & Barrett (2007) examined emotional and financial tradeoffs, family firm scholars could use experience-sampling methods to test financial and nonfinancial tensions in SEW theory. Furthermore, family firm researchers could strategically utilize experience-sampling methods by selecting a specific time where emotions would especially be expected to influence SEW phenomenon. For example, Trougakos et al. (2008) conducted an experience sampling study where they were interested in how breaks helped increase positive emotional settings in service related areas of work. Drawing inspiration from this approach, family firm scholars could select specific times that factor into a particular facet of SEW. For family firm scholars that want to extend the affective components of SEW, such fine-grained micro-oriented data from experience-sampling approaches could really help increase ecological validity and extend experimental results.

Qualitative Studies. Researchers interested in the processes and the meaning of SEW preservation decisions might find it worthwhile to explore multi-method investigations that

include both experiments and qualitative methods. Indeed, qualitative methods such as ethnographic, case study, grounded theory, content analysis, or discourse analysis, can be used to assess meaning of decisions or the processes that either lead to or follow particular SEW preservation decisions that are examined in an experimental study. For example, consider the approach that Raaijmakers and colleagues (2014) took for understanding tensions in the time to compliance decisions under different types of institutional complexity. In this article, the authors were interested in how long it would take decision-makers to comply to a coercive demand. Using a vignette experiment, the experimenters varied institutional pressures from the government to comply to a new law and coworker support of the law. Following the experimental vignette, researchers interviewed participants on the steps and processes they would take to deal with compliance. Using this interview data, they had both information about a experimentally controlled decision and processes that participants would follow to address their decision, allowing them to use grounded theory qualitative methods to come up with a process model for delay in decision compliance. For family business researchers, a similar design approach could be useful for studying aspects of SEW related to succession, reputational concerns, or ties with outside stakeholders to understand the meaning, processes, or sense making behind specific SEW preservation decisions.

Archival Studies. As we mentioned earlier, most of the available SEW research draws on indirect proxies from archival data. These studies shed light on the strategic outcomes of SEW preservation decisions but are not clear on factors that influence these strategic outcomes. Thus, for researchers interested in delving deeper into causality leading to the unique strategic outcomes examined in archival SEW research, it might be fruitful to pair archival data with

experiments that mirror conditions believed to proceed the strategic outcomes measured in the archival data.

DISCUSSION AND FUTURE DIRECTIONS

In this chapter we offered guidelines for designing experiments that can extend family firm scholarship's affective and cognitive microfoundations. Family firm research up to this point has largely used distal firm level proxies from archival studies to infer that emotion and particular goal pursuits drive unique family firm decisions. While these methodological approaches have made tremendous strides advancing the family firm literature, they focus on the outcomes and not the causes of unique family firm behavior. Indeed, many scholars have noted that, while family firm theory suggests that dynamic SEW changes drive unique family firm decisions, current measures of SEW are often latent (Berrone et al., 2012). Here, we have argued that to understand the causal roles that emotion and goal pursuits play in SEW preservation, researchers must manipulate and observe family firm members' reactions to SEW change. Experiments, especially when paired with other studies that complement their strengths and offset their weaknesses, provide researchers with methodological tools that can unpack the family firm literature's microfoundations. The advice that we offer in this chapter is meant to serve as guidelines and is definitively not meant to be exhaustive. Indeed, as we hope we have shown, there are numerous theoretical benefits that experimental design can provide the family firm literature. However, here we would like to discuss what we believe to be three important implications and future research directions.

Motivated to build a body of work that shows how, why, when, and where family firm differ from nonfamily firms, over three decades of family firm scholarship provides evidence that family firms do behave differently than nonfamily firms. Focused on differentiating family

firms' unique strategic outcomes from nonfamily firms' strategic outcomes, extant family firm scholarship has provided sufficient evidence suggesting that family firms are indeed different. In this way, family firm research has answered its first generation question (Are family firms different from nonfamily firms?) and now faces its second generation questions concerning how, why, and when family firms are not only different from nonfamily firms but also how family firms differ from each other. Experimental methods offer a greater degree of control and precision over variables and study conditions that will allow family firm researchers to get at the heart of the microfoundational relationships supporting unique family firm behaviors.

Applying creative approaches to the guidelines and suggestions offered in this chapter can help family firm scholars manipulate SEW in ways that they observe family member responses to SEW change. Manipulating specific emotions and SEW goals in experiments can help add depth and a psychological base to the family firm literature in ways that encourage scholars to move beyond structural and dichotomous views of family firm relations. Indeed, family firm research tends to paint broad portraits of how first generation family members might act vs. later generation family members or how family members might react differently to events than nonfamily members. With experiments, first and later generations can be treated as separate samples that receive the same experimental treatment (i.e. replication) and stronger, more nuanced, inferences about each generation's behaviors can therefore be drawn from comparison between samples. The same ideas can be applied to samples of family members vs. nonfamily members to hopefully uncover more nuanced differences and theoretical implications than are currently found in the literature.

Finally, when seeking to extend family firm microfoundations, there is a rich methodological tradition and numerous theoretical models that family firm scholars can exploit

in their experiments. Social psychologists and organizational behavior scholars often use experiments to explore research questions tied to emotion and goal theories. By combining family firm scholarship's core assumptions with psychological theories in experiments, family firm scholars have the opportunity to not only extend family firm theory but also to challenge broader management theories. In order to garner interest from other disciplines, family firm experiments can be used to show the limitations or boundaries of commonly held assumptions about emotion and goal pursuits.

In conclusion, there is significant opportunity for both family business and organizational behavior scholars to begin building the microfoundations of family firm behavior. We believe that experiments can play an important role in these efforts. Integrating psychology and family firm theory will surely provide a strong base for interesting research that not only examines family firms' unique strategic outcomes but also the family members' causal roles in shaping those outcomes.

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ESSAY 4

IS THERE A SOCIOEMOTIONAL PARADOX IN FAMILY FIRMS? EXAMINING THEORETICAL TENSIONS BETWEEN FAMILY FIRM MEMBERS' SOCIOEMOTIONAL WEALTH AND SOCIOEMOTIONAL SELECTIVITY

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ABSTRACT

Family businesses represent a significant source of entrepreneurial activity in the United States, driving more than 60% of the nation's GDP and employment levels. Beyond these economic contributions, recent research on socioemotional wealth (SEW) theory finds that family firms, relative to nonfamily firms, generally pursue a higher proportion of nonfinancial goals that provide them with SEW, or a stock of emotional value in the firm. SEW is believed to be an important distinguishing factor for these firms. However, a socioemotional paradox exists in the literature regarding the strength of SEW's impact on strategic decision-making over time. Here, I reconcile this paradox by integrating socioemotional wealth and socioemotional selectivity perspectives in a survey sample of family firm members drawn from family firms in tourism industries. In the aggregate, this study is the first to (a) empirically incorporate emotion into SEW theory (b) directly examine how time perspective influences changes in succession desirability and (c) provide psychological mechanisms that explain heterogeneity in SEW preferences in various family members across the family firm lifecycle. Consequently, this is one of the first studies to directly examine the microfoundations of SEW theory. Potential implications for practice are positioned to help founder succession, especially offering suggestions for founder-run family businesses to improve firm survival and longevity.

"My favorite things in life don't cost any money. It's really clear that the most precious resource we all have is time."
Steve Jobs (Jobs, 1985)

As a means through which people organize their everyday lives, hold others accountable, and measure progress towards achieving crucial goals, time can make a world of difference across countless social domains (Zimbardo & Boyd, 2008). Yet, time is much more than a quantitative measure of events and the intervals between them. The availability of time imbues meaning and shifts priorities - expanding or constraining the range of cognitive, emotional, and social filters through which people select, evaluate, and prioritize which goals they pursue (Carstensen, Isaacowitz, & Charles, 1999). For family firms, growing research on socioemotional wealth (SEW), or the emotional value in a firm afforded through the controlling family members' pursuit of nonfinancial goals, is beginning to get at the crux of these ideas to explain not only why their strategic behavior is qualitatively different from their non-family firm counterparts but also how their relationship with SEW changes over time (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007).

Time has historically been a core underlying - but very rarely explicated - driving force in several areas of family firm research and practice. Indeed, many of family business scholarship's most researched topics, such as family involvement in a firm across generations, planning for founder succession, and research arguing that family firms adopt a stronger focus on a long-term orientation than their nonfamily counterparts, implicitly incorporates normative assumptions for how family firms allocate and adjust to time (Gersick, 1997). As the emerging theory of the family firm, SEW theory has adopted these assumptions to argue that SEW diminishes in family firms over time (Gómez-Mejía et al., 2007). However, inconsistencies in the literature regarding SEW's strength over time suggest that these assumptions may not always hold, presenting

paradoxical findings in which SEW is expected to diminish over time for some family firms but grow over time for others (Zellweger, Kellermanns, Chrisman, & Chua, 2012). Recent theoretical arguments suggest that the reasons behind these paradoxical findings are likely tied up between untested individual level assumptions about emotion and goal pursuits' contributions to SEW and firm level distal proxies that are insufficient for measuring these individual assumptions (Jiang & Munyon, 2016; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015). Recognizing these theoretical needs, this paper seeks to integrate SEW theory's general assumptions about nonfinancial goal pursuits in family firms with socioemotional selectivity theory's (Carstensen, 1993, 1995, 2006) individual-level assumptions about emotion and goal pursuits. In doing so, I propose that there is a socioemotional paradox in family firms that addresses the question "How does family members' time perspectives change the impact of their emotion regulation and social ties on succession desirability?"

In the aggregate, this paper offers several contributions to the literature. First, my integration of socioemotional wealth and socioemotional selectivity theories reconciles the longstanding assumption that succession is one of the highest priority goals in family firms with research on the low succession rates in family firms (Gersick, 1997). By doing so, I provide psychological rational that supplements strategy focused long-term orientation arguments in the family firm literature (e.g. Lumpkin, Brigham, & Moss, 2010). Second, recognizing that emotion plays an important role in SEW theorizing but has not yet been measured, this is the first SEW study to empirically examine emotion regulation's role in SEW theory. Third, my examination of various family member's time perspectives, emotions, and perceptions of succession desirability answers calls to better understand how SEW changes over the family firm lifecycle. To build

these contributions, I first begin by integrating SEW and socioemotional selectivity theories in the next section.

THEORETICAL DEVELOPMENT AND HYPOTHESES

Socioemotional Wealth

Growing scholarly discourse centered on family firms' socioemotional wealth (SEW), or the "non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty" (Gómez-Mejía et al., 2007, p. 106), contributes significantly to the theory of the family firm, predicting why and when family members' emotional attachment to what they can accomplish through control of a firm leads them to make strategic decisions differently than decision-makers in non-family firms. Originally conceptualized by Gómez-Mejía and colleagues (2007), the SEW theoretical perspective proposes that family firms differ from nonfamily firms because families use their concentrated position in the firm's ownership and leadership to pursue particularistic family-centered nonfinancial goals, such as keeping control of the firm in the family through intra-family succession, enhancing family reputation in the community, and employing family members that are hard to employ elsewhere, that provide them with SEW.

For family firm decision-makers, factors contributing to SEW are thought to be more intrinsic than financial wealth, leading to firm level decisions that can be both risk averse and risk seeking (Gómez-Mejía et al., 2007). The SEW theoretical perspective therefore assumes that unique individual and family factors contribute to a stronger focus on nonfinancial goals in family firms when compared to nonfamily firms (Gómez-Mejía, Cruz, Berrone, & De Castro, 2011), driving unique SEW decisions. However, despite many assumptions in SEW theory, virtually all of the extant literature's empirical tests employ distal proxies that are

operationalized at the firm level, leaving crucial causal relationships regarding individual goal pursuits and emotion's role in the microfoundations of SEW decisions undertheorized and untested (Jiang & Munyon, 2016; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015).

Recently, in efforts to begin bridging gaps in SEW's theoretical microfoundations, researchers have argued that it is not the firm that pursues SEW goals but the family members that control it (Miller & Le Breton-Miller, 2014). Calls for a better understanding of SEW's microfoundations have pushed for more work to examine the role of individual family firm members' emotions and idiosyncratic goal pursuits on SEW decisions (Gómez-Mejía et al., 2011). Of particular interest, many scholars argue that family succession is one of family members' most important priorities because it ensures that the family will continue to have SEW through a sufficient level of control over the firm (Gómez-Mejía et al., 2007; Gómez-Mejía et al., 2011; Zellweger et al., 2012). Family firm theorists generally argue that social ties in and through the firm are important for succession and that family members experience positive affect from succession (Berrone et al., 2012; Sharma et al., 2003). However, beyond these generally held assumptions, little research directly examines how or why social ties and affect would impact how desirable individual family members find succession as a SEW goal, especially at different points in their lifetime. In order to address these concerns and extend SEW theory, I turn to SST's individual level predictions.

Socioemotional Selectivity

Operationalization of SEW at the firm level have left current SEW and family firm theorizing ill-equipped to explain the cognitive, emotional, and social aspects of nonfinancial goal pursuit within the firm that drive family member's goal pursuits and decisions (Berrone et

al., 2012). Addressing these needs, Carstensen (1993, 1995) developed socioemotional selectivity theory (SST) to predict and explain why the salience and pursuit of people's various social goals progressively change in later stages of life. Socioemotional selectivity theory is a psychological theoretical alternative to sociological perspectives in gerontology, such as disengagement theory and activity theory, which propose that older people reduce social activity and social goal pursuit because of barriers to social interaction caused by decreased mobility, declining health, or smaller social networks as social partners die (Fredrickson & Carstensen, 1990). Instead, SST proposes that as time horizons shrink, as they typically do with increasing age, people become increasingly selective with the goals they pursue, investing greater resources in emotionally meaningful goals and activities (Carstensen et al., 1999).

SST is therefore a life-span theory of motivation that suggests humans are inherently agentic, engaging in behaviors guided by the anticipated realization of goals (Carstensen, 1992, 1995). More importantly, the theory assumes that people simultaneously hold multiple and sometimes opposing goals and that time perspective guides the selection and pursuit of goals (Lockenhoff & Carstensen, 2004). In particular, SST argues that social goals fall into one of two general categories—those related to the acquisition of knowledge and those related to the regulation of emotion (Carstensen et al., 1999). When time is perceived as open-ended, knowledge-related goals are prioritized. In contrast, when time is perceived as limited, emotional goals are given priority (Carstensen, Fung, & Charles, 2003). Thus, the core of SST predictions, although explaining changes in social goals and emotion regulation as people age, is based on changes in time perspective (Carstensen et al., 1999).

The Family Firm's Socioemotional Paradox: Integrating SEW and SST

When examining family firm literature that forms important cornerstones in SEW theorizing, aspects between family firms' long-term orientation and family succession that seem logical in isolation can also seem contradictory or irrational when examined simultaneously. In particular, scholars have long argued that family firms have a long-term orientation that is often tied to succession. Building on this research, SEW theorists argue that succession is an important part of the first generation's SEW and one of the highest priority SEW goals (cf. Gómez-Mejía et al., 2007; Zellweger et al., 2012). However, family firm research has also long acknowledged the low succession and survival rates of family firms beyond the first generation (Lansberg, 1988). When juxtaposed, why is it that family firm members have a long-term orientation that is thought to drive succession intentions but succession rarely occurs in family firms? In the remaining arguments, I attempt to reconcile these contradictory assumptions in the family firm literature by aligning SEW and SST assumptions about social ties, emotions, and time perspective. When looking closer, I intend to show how SST fills various unexamined gaps about social ties, emotion, and time perspective in SEW theory to explain paradoxical arguments and findings in the family firm literature about succession. I will first examine what integration of SEW and SST assumptions suggest about social ties before moving on to emotion regulation and time perspective.

Social ties through the firm and succession desirability. Family firm scholars argue that family involvement in management of a firm not only changes the decisions made through the firm but also the ways that family members, as top managers, interact with both internal and external stakeholders (Arregle, Hitt, Sirmon, & Very, 2007; Berrone, Cruz, & Gómez-Mejía, 2012). The strength of social ties that family members have in and through the firm are thought

to play important roles in SEW theory, motivating the intrinsic value that family members ascribe to the firm and the weight that they assign to future succession intentions (Zellweger et al., 2012). From a SEW theoretical standpoint, continued family involvement in the firm helps family members develop a stronger attachment to the firm and sense of benevolence toward customer, supplier, and community relationships than their non-family firm counterparts (Gómez-Mejía et al., 2011). Family members are therefore thought to enjoy psychological benefits from long-term relationships with various stakeholders and view intra-family succession as a way to continue these relationships while also building a family legacy (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana., 2010; Zellweger et al., 2012).

More specifically, SEW theorists argue and find support that suggests family firms proactively engage with their stakeholders in efforts to build and preserve SEW (Cennamo, Berrone, Cruz, & Gómez-Mejía, 2012). In this respect, scholars reason that there are several psychological reasons why family firms are more apt to go beyond expectations to uphold and satisfy many of their internal and external constituents' various concerns. For example, family firms can be more environmentally-friendly than their nonfamily competitors because family members' are social embedded in their community and motivated to avoid a tarnished reputation with local stakeholders (Berrone et al., 2010). Similarly, family firm leaders might be more willing to appease stakeholder demands than their non-family counterparts because it seems like the "right thing to do," even when it does not serve the firm's economic interests (Cennamo et al., 2012). Ultimately, SEW theory argues that these positive social ties and interactions are important because they help build a family legacy that has the potential to be realized and extended through family succession (Berrone et al., 2012; Zellweger et al., 2012). Therefore,

from a SEW perspective, positive social ties through the firm are likely to make family succession a more desirable end goal among family members.

While I have primarily focused on the SEW perspective thus far, the SST perspective holds similar prescriptions about the importance that people place on social ties in various contexts. However, the SST perspective offers differing underlying motives that can arrive at similar conclusions. While SEW theory treats family members as a homogenous group in which the family's long-term objectives through the firm motivate family member social interactions (Chrisman & Patel, 2012), SST argues that social ties are generally important but further suggests that it is actually changes in psychological preferences over the lifespan that guide family members' emphasis on various social objectives (Carstensen, 1992). While I will expand on these factors in remaining arguments, it is important to first establish that social ties are important for both SEW and SST perspectives but acknowledge that SST has more flexible assumptions. With this in mind, I hypothesize:

> *Hypothesis 1: There is a positive relationship between a family firm member's perception of binding social ties through the firm and succession desirability.*

Emotion regulation and succession desirability. Emotion and affect play fundamental roles in both SEW and SST. In regard to SEW theory, family firm scholars often assume that pleasant affective factors motivate (Kellermanns, Eddleston, & Zellweger, 2012) and are valued outcomes of succession (Zellweger et al., 2012). Recognizing that control of the firm is necessary for family members to use the firm for nonfinancial goal pursuits that provide SEW (Berrone et al., 2010; Gómez-Mejía et al., 2007, Zellweger et al., 2012), many scholars reason that family members' emotional attachment to the firm increases with the amount and duration of their control of the firm (Perry, Ring, & Broberg, 2015; Zellweger et al., 2012). Scholars then use these assumptions to support their affect related arguments and empirical results. While

seemingly plausible, these commonly held assumptions generally do not define, account for, or measure the dynamic nature of affective relationships underpinning unique family firm strategic outcomes (Schulze & Kellermanns, 2015). Many scholars consequently argue that family firm research does not understand family members' individual differences in how they experience emotions, thereby confounding affect's cause and effect relationships in SEW theory (Miller & Le Breton-Miller, 2014).

Juxtaposed with the SEW perspective, a SST perspective applied to family firms suggests that antecedent-focused emotion regulation, which characterizes peoples' efforts to influence the emotions they have by selecting certain situations, deploying selective attention, or using some other approach to controlling emotional experiences before certain emotions are experienced or expressed (Gross, 1998), differs between individual family members based on their stage in the human lifespan and contextual surroundings (Carstensen, 1992, 1995, 2006; Gross et al., 1997). In particular, psychological research generally finds that younger people experience and regulate their emotions differently than older people (Gross et al., 1997). SST argues that younger people are generally more willingly to accept and cope with negative affect if the situational elicitors of that affect are related to important future goals and endeavors (Carstensen, 1992). However, as people age, they become more selective in how they regulate emotions and pursue goals (Carstensen, Fung, & Charles, 2003). For example, Carstensen and colleagues (2000) found that the negative emotions that adults experience from day-to-day steadily decline until around the age of 60, at which point they start to level off. Other studies find that positive emotions increase from mid-life until early old age (Mroczek & Kolarz, 1998).

While the results can differ some, research generally finds that the overall ratio of positive to negative emotions that adults experience increases as they age (Gross et al., 1997).

Carstensen and colleagues (Carstensen & Mikels, 2005; Mather & Carstensen, 2005) call this higher ratio of positive emotions to negative emotions from emotion regulation the "positivity effect," arguing that it is not always driven by age but can also be driven by circumstances where people are motivated to seek pleasant feeling states and avoid negative feeling states. For family members involved in the firm, there is likely negative affect and hassles associated with actually meeting succession as a goal (cf. Lansberg, 1988). Although succession can be an important espoused goal, as adult family members in the firm increasingly utilize antecedent-focused emotion regulation approaches consistent with the positivity effect, the desirability of succession is therefore likely to diminish. Application of SST's positivity effect arguments to family firm members' succession desirability therefore suggest the following:

> *Hypothesis 2: There is a negative relationship between a family firm member's higher levels of antecedent-focused emotion regulation and succession desirability.*

The Moderating Role of Time Perspective

So far, I have outlined the theoretical mechanisms that social ties and emotion regulation both play in SEW and SST. While these theoretical mechanisms are important in their own right, both theories argue that the decision-makers' time orientation changes the degree of importance placed on affective and social relationships in valued goal pursuits. However, it is important to point out that SEW and SST drastically differ in their prescriptions about time's role in goal pursuits. From the SEW perspective, scholars generally focus on the firm's lifespan (Gómez-Mejía et al., 2011; Le Breton-Miller & Miller, 2013). Family firm scholarly arguments often suggest that family decision-makers make both psychological and financial investments in the firm that are intended to support long-term SEW objectives, such as succession and future family involvement in the firm (Chrisman & Patel, 2012; Zellweger et al., 2012). SEW theory's focus is therefore often normative, suggesting that a long-term orientation is generally held among the

general population of family members in family firms. In contrast, SST's arguments are more descriptive, focusing on how changes in a person's time perspective from contextual and lifespan influences can change emotion regulation, social ties and goal pursuits (Carstensen et al., 1999). From a SST perspective, whether a family member psychologically experiences time as open or limited will change various relationships linked to succession as a goal. Acknowledging inconsistent findings in the SEW literature, SST's finer-grained individual level arguments about time perspective have potential to account for these conflicting findings. Therefore, it is crucial to focus on how changes in an individual family member's time perspective changes social ties and emotion regulation's expected impact on succession desirability.

Open time perspective and social ties' impact on succession desirability. Goals are often set in temporal contexts, where the selection of which goals are pursued fundamentally depend on how time is perceived. SST argues that when time is perceived as open-ended - as would be expected in the majority of young and middle-aged family firm members that are typically involved in the firm - expansive future-oriented goals such as succession are valued, even if they are not pursued (Carstensen et al., 1999). Although assumptions about family firm members' long-term orientation in SEW theory seem consistent with this assumption, due to lack of individual-level theorizing, they do not account for older family members' shifts in social tie preferences and goal priorities that accompany changes from open time perspectives to limited time perspectives as they age (Carstensen et al., 2000). Hence, conflicted and paradoxical findings in the family firm literature regarding the importance of various SEW facets across the family firm lifespan can likely be explained by motivational differences between family leaders at different points in their individual lifespan.

While the family's social ties through the firm can make succession desirable for several family members, it is also important to understand how their individual time perspectives will moderate and change this relationship. To start, the future time perspective that family firm members often adopt when time left in life seems expansive is associated with the desire for a broader social network, as these social ties might seem instrumental for building knowledge, experience, and resources that benefit future goals such as succession. In this respect, an open time perspective would likely (a) be held by the majority of family firm decision-makers for a sizable amount of their tenure in their firm and (b) fit archival research that argues family firm leaders take a more proactive approach to managing stakeholders than other firms (e.g. Cennamo et al., 2012). However, when time in life becomes less abundant, as SST would expect of family members' time perspective in later tenure stages of their careers at the apex of the family firm, decision-makers are likely to narrow their social ties through the firm and the desirability for succession. This psychological explanation therefore stands in contrast to normative assumptions in the SEW literature about family leaders ramping up social activities in later stages of their career (Strike, Berrone, Sapp, & Congiu, 2015). When taking these points about time perspective's moderating role in SEW relationships, I hypothesize the following:

> *Hypothesis 3: Time perspective moderates the relationship between binding social ties and succession desirability such that the effect will be stronger for those with an open time perspective and weaker for those with a limited time perspective.*

Limited time perspective and emotion regulation's impact on succession desirability. Beyond its effects on social ties, time perspective is also known to change how people regulate their emotions (Carstensen et al., 1999; Carstensen & Mickels, 2005). When experiencing time as open and expansive, research suggests that decision-makers are more willing to deal with negative emotions experienced in goal pursuits that provide some type of personal growth or

useful knowledge for the future (Carstensen et al., 2003; Gross et al., 1998). However, when experiencing time as limited and increasingly more finite, people tend to focus more on immediately satisfying pursuits and consequently increasingly avoid negative emotions (Lockenhoff & Carstensen, 2004). When applied to family firm members, their time perspective can therefore change expected relationships between how they regulate their emotions and how desirable they find succession as a SEW-related goal. Specifically, consistent with prevailing views about long-term orientations in the family firm literature (e.g. Lumpkin & Brigham, 2011), family members that have an open time perspective are expected to be more willing to deal with negative emotions that might come from or be associated with succession. However, contrary to this prevailing view about time in the family firm literature, psychological assumptions from SST predicts that family members with a limited time perspective will focus on aspects of the firm that bring them personal gratification and will therefore find succession less desirable. Consequently, the more limited a family members' time perspective is, the stronger the negative relationship between antecedent emotion regulation and succession desirability will be.

> *Hypothesis 4: Time perspective moderates the relationship between antecedent-focused emotion regulation and succession desirability such that the effect will be stronger for those with a limited time perspective and weaker for those with an open time perspective.*

METHODS

Data and Sample

I collected the data for this study via online and paper surveys, which are common research method approaches in psychology and similar to the conventional mail survey approaches used to obtain family firm and small business data (Chrisman, Chua, & Litz, 2004). Recognizing that family firms have a high representation in tourist and rural areas (Getz & Carlsen, 2005), I drew my sample frame from firms that (a) were registered in promotional lists

of vendor and buyer firms attending annual souvenir tradeshows in Gatlinburg, TN and Myrtle Beach, SC (both tourism areas) and (b) self-identified as family-owned businesses on their websites. A total of 126 family businesses were identified in this sampling frame. I personally attended the tradeshows to meet with family business members, answer any questions they might have, and encourage completion of the survey. Furthermore, respondents were incentivized with a $5 Amazon.com giftcard for their participation. I received 65 survey responses from family members working in different family firms, which represented a 51.6% response rate. The total employment size of respondents' family firms ranged from 2 to 304 employees, with an average size of 15 employees.

Since my data were collected via a single survey, common method bias was a concern. In order to address this potential issue, I tested for common method bias using Harman's singe-factor test procedures as suggested by Podsakoff and Organ (1986). All items in the independent, moderator, and dependent variables were entered in a factor analysis to determine the amount of variance explained by a single factor. No factor explained more than 26% of the variance. Therefore, I can infer that common method bias is not a likely concern.

Measures

This study integrates SEW and SST perspectives to examine how individual family members' perceptions of binding social ties through their firm and emotion regulation impacts succession desirability and what impact individual time perspective has on these relationships as a moderator. All constructs were measured using Likert-type scales with a seven-point response format anchored by "strongly disagree" to "strongly agree" unless otherwise noted.

Succession Desirability. This study's dependent variable was assessed using Sharma and colleagues' (2003) 3-item succession desirability scale ($\alpha = 0.82$). Although originally developed

to assess family firm incumbents' succession desirability, consistent with my approach to understanding more psychological rather than structural aspects of various family members' involvement in the firm, we used the scale to assess the extent to which each individual respondent personally desires succession in their firms.

Social Ties Through the Firm. Social ties through the firm were assessed using Berrone and colleagues' (2012) 5-item "Binding Social Ties" dimension from their SEW FIBER scale ($\alpha = 0.60$).

Emotion Regulation. To address SST's theoretical rationale for the positivity effect, where people with shorter time perspectives regulate their emotions in ways that they generally experience more positive affect relative to negative affect, I created a ratio measure that employs both the positive and negative affect scales from the widely used 20-item Positive Affect and Negative Affect Schedule (PANAS, Watson, Clark, & Tellegen, 1988). Both affect schedules from PANAS were summed and then the positive affect schedule was divided by the negative affect schedule, where a higher resulting quotient is consistent with theory about emotion regulation as it relates to SST's positivity effect.

Time Perspective. Time perspective, the moderator in my model, was assessed using Carstensen and Lang's (1996) 10-item future time perspective (FTP) scale ($\alpha = 0.87$). The FTP scale included items such as "Many opportunities await me in the future" and "I expect I will set new goals in the future," which were more appropriate for the psychological nature of this study than alternative long-term orientation (e.g. Lumpkin & Brigham, 2011; Lumpkin, Brigham, & Moss, 2010) and other strategic management based scales that have traditionally been used in the family firm literature and aggregated to the firm level.

Control Variables. I employed five theoretically relevant controls in this study. First, recognizing that a lack of succession feasibility can influence the dependent variable, succession desirability, I employed an adapted version of Sharma (2003) and colleagues' 4-item succession feasibility scale ($\alpha = 0.91$). The original scale was designed to assess trust in the ability of *purposely selected* family successors; I adapted the scale to address trust in the ability of *available potential* family successors. In a similar fashion, firm performance could influence the desirability of succession. To control for firm performance, I used Eddleston and Kellermann's (2007) 8-item perceived firm performance scale ($\alpha = 0.94$).

Next, to emphasize the important need for family firm theory to move beyond structural proxies of family influence to more directly address SEW, I controlled for the three family influence proxies extensively used in the family firm literature: the number of family members involved in management of the firm, the number of generations involved in management of the firm, and family members' ownership concentration in the firm.

RESULTS

The means, standard deviations, and zero-order correlations are shown in Table 4.1. I tested the proposed hypotheses via multiple regression analysis. The results are portrayed in Table 4.2.

I tested my hypotheses using four models. In model 1, I entered the number of family members and generations involved in the family firm, family member ownership concentrations, and succession feasibility as controls. To test my first two hypotheses, in model 2 I regressed succession desirability onto social ties through the family firm and the family members' emotion regulation variable. A significant change in R^2 was observed ($\Delta R^2 = .03$; $p < .05$). Social ties through the family firm ($\beta = .37$; $p < .05$) had a positive effect on succession desirability while

TABLE 4.1
Descriptive Statistics – Means, Standard Deviations, and Correlations

	Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9
1	Firm Performance	4.65	1.14	1.00								
2	Succession Feasibility	4.16	1.61	0.29*	1.00							
3	Generations Involved	1.65	0.68	0.07	0.48***	1.00						
4	Family Members Involved	3.16	1.74	0.31*	0.39**	0.58***	1.00					
5	Ownership Amount	51.33	39.79	-0.08	-0.28*	-0.46***	-0.47***	1.00				
6	Social Ties Through Firm	5.30	0.84	0.36**	0.24†	0.12	0.12	0.10	1.00			
7	Emotion Regulation	2.22	0.73	0.37**	0.34**	0.05	0.05	-0.21	0.41**	1.00		
8	Future Time Perspective	4.79	1.03	0.30*	0.37**	0.08	0.27*	-0.21	0.25*	0.29*	1.00	
9	Succession Desirability	4.00	1.67	0.17	0.80***	0.46***	0.37**	-0.10	0.30*	0.07	0.34**	1.00

*** p□0.001;** p□0.01;* p□0.05;† p□0.10

TABLE 4.2
Regression Results

	Model 1		Model 2		Model 3		Model 4	
	β	s.e.	β	s.e.	β	s.e.	β	s.e.
Controls								
Firm Performance	-0.15	0.13	-0.13	0.13	-0.15	0.15	-0.13	0.15
Succession Feasibility	1.24***	0.16	1.31***	0.15	0127***	0.16	1.26***	0.15
Generations Involved	0.23	0.18	0.20	0.16	0.23	0.18	0.35†	0.18
Family Members Involved	0.18	0.18	0.11	0.17	0.09	0.17	0.11	0.17
Ownership Amount	0.25	0.16	0.12	0.16	0.15	0.16	0.17	0.16
Independent Variables								
Social Ties Through Firm			0.37*	0.16	0.34*	0.16	0.28†	0.17
Emotion Regulation			-0.39*	0.18	-0.42*	0.18	-0.45**	0.17
Moderator								
Future Time Perspective (FTP)					0.19	0.15		
Interaction Terms								
FTP x Social Ties							0.42*	0.21
FTP x Emotion Regulation							-0.31†	0.08
Adjusted R square	0.65		0.68		0.69		0.70	
F Statistic	20.59***		17.44***		15.66***		13.63***	

*** p□0.001;** p□0.01;* p□0.05;†p□0.10

antecedent-focused emotion regulation in line with Carstensen's positivity effect (β= - .39; p < .05) had a negative effect on succession desirability. Thus, Hypothesis 1 and Hypothesis 2 are supported.

In order to test the proposed moderation effects, I first independently entered the time perspective moderator in model 3 and then entered the moderator's interaction terms in model 4. Hypothesis 3, which stated that family members' time perspective moderates the relationship between social ties through the firm and succession desirability, was supported (β=.42; p < .05). Similarly, Hypothesis 4, which argued that family members' time perspective moderates the emotion regulation and succession desirability relationship, was also marginally supported (β= -.31; p < .10).

To facilitate interpretation of the moderation effects, I followed procedures from Aiken & West (1991). Interactions were plotted in Figures 4.1 and 4.2. The interaction between time perspective and social ties in Figure 4.1 shows that for family firm members with an open time perspective, there is a strong positive relationship between binding social ties and succession desirability. However, for family members that have a limited time perspective, there is a negative relationship between binding social ties and succession desirability. The plotted interaction, consistent with both SST and conventional understanding of family firms' time orientation, demonstrates that family members with an open time perspective and strong social ties through the firm find succession more desirable. While consistent with SST but not with conventional understanding of long-term orientation research in family business, the interactions also show that family members with a limited time perspective and strong social ties through the firm find succession less desirable than family members who have a limited time perspective and weak social ties through the firm. Thus, this lends support for hypothesis 3.

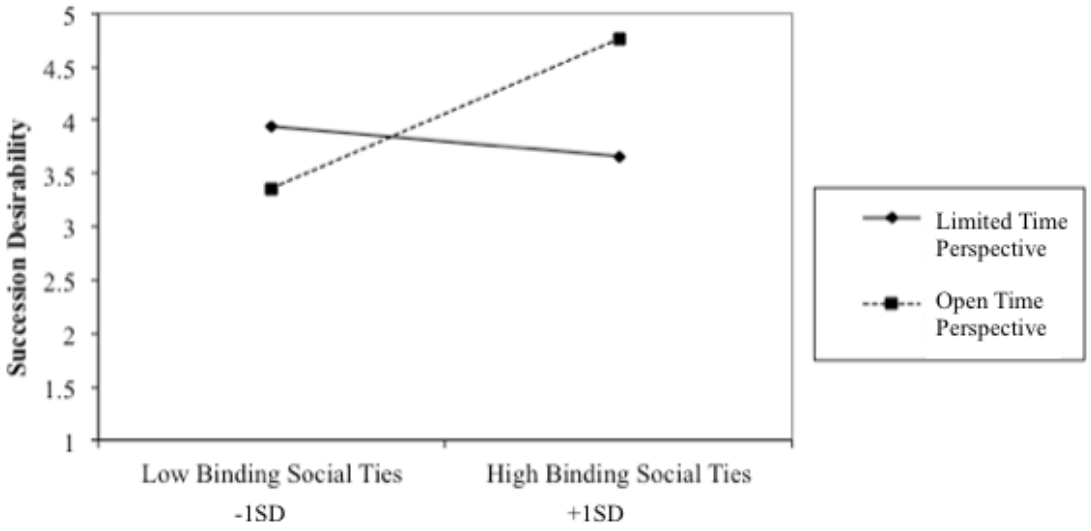

FIGURE 4.1
Time Perspective and Binding Social Ties Effects on Succession Desirability

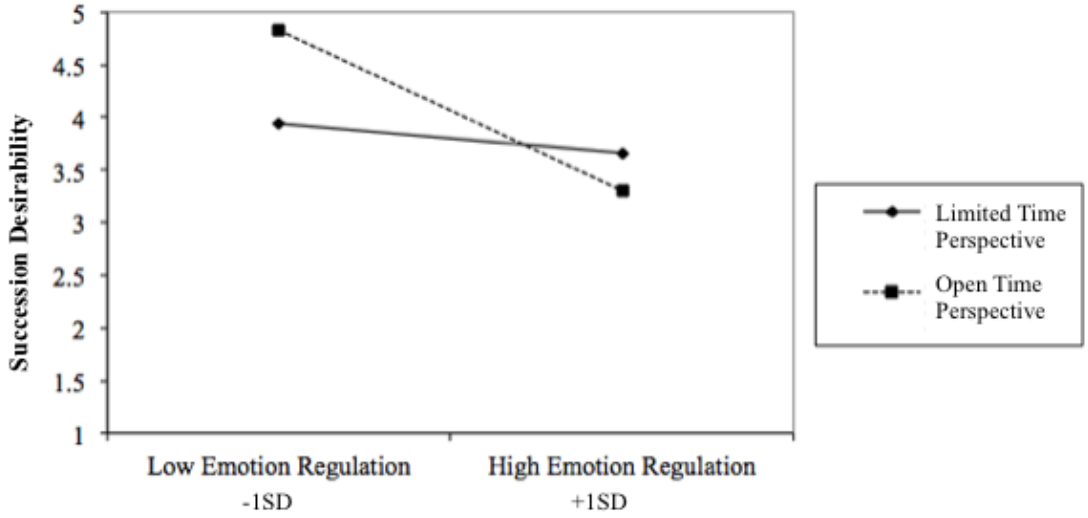

FIGURE 4.2
Time Perspective and Emotion Regulation Effects on Succession Desirability

The other significant interaction effect between family members' time perspective and emotion regulation is displayed in Figure 4.2. As expected, and contrary to positive emotion assumptions in SEW theory, the interaction shows that family members with an open time perspective and that experience a higher proportion of negative emotions on a daily basis (i.e. they have low antecedent-focused emotion regulation) find succession more desirable while those who experience less negative emotions (i.e. they have high antecedent-focused emotion regulation) find succession less desirable. These findings lend support to hypothesis 4.

DISCUSSION

Since the earliest stages of family firm research, scholars and practitioners have sought to understand strategic factors that improve intra-family succession in family firms (Lansberg, 1988; Lee, Lim, & Lim, 2003; Levinson, 1971). Yet, despite these efforts, research finds that the majority of family firms do not successfully survive to the next generation. In this paper, I reconcile these points by integrating socioemotional wealth (Gómez-Mejía et al., 2007) and socioemotional selectivity (Carstensen et al., 1996) theories to argue that there is a socioemotional paradox in family firms, where the same aspects of family members' emotion regulation and social ties that make succession desirable when time is experienced as open also inhibits succession desirability when time is experienced as limited. The socioemotional paradox therefore stands in contrast to extant SEW research that assumes succession is tied to a long-term orientation, treating family members' time perspectives as latent and fixed (Chrisman & Patel, 2012; Gómez-Mejía et al., 2007; Zellweger et al., 2012). Instead, I argue and find evidence that family decision-makers' time perspectives are malleable and consequently regulate succession desirability as a SEW goal pursuit.

As one of the few direct tests of SEW theory's microfoundations, this study offers several key contributions to family firm and broader management literatures. To begin, I reconcile conflicting findings about the strength of SEW and its relationship with succession and family firm survival rates in archival studies (Gómez-Mejía et al., 2007; Zellweger et al., 2012) by offering primary data results in support of the family firm's socioemotional paradox. Recognizing that succession is often a high priority in many family firms but that few family firms actually make the transition to the next generation, family firm scholars have long assumed that family firms have a long term orientation and devoted significant efforts to developing strategy-oriented normative models for family firm succession (Le Breton-Miller, Miller, & Steier, 2004). In this paper, my theorizing and results decoupled time perspective from succession desirability as a SEW goal in ways that suggest family members' psychological goal hierarchies within which succession, as a goal, is ranked changes in relation to psychological time perspective and emotion regulation strategies. When family members experience time as open, succession could be seen as an important goal that can elicit positive affect. However, when family members experience time as limited and thus regulate their emotions to pursue more positively valenced affective goals, succession could become less desirable due to the hassles and negative affect that can be associated with the transition. In this way, the socioemotional paradox explains why family firm leaders are often oriented toward a future family succession but hardly make it there.

Second, this study is the first to provide a direct test of affective relationships in SEW theory. Despite emotion's importance in SEW theory, researchers find that family firm scholarship's strategic focus has left it unable to explain how affect and emotions impact the functioning of the family and the firm (Berrone et al., 2012; Gómez-Mejía et al., 2011; Schulze

& Kellermanns, 2015). I addressed this need by moving beyond the use of distal firm-level proxies for emotion, such as firm ownership concentration (Berrone et al., 2010; Gómez-Mejía et al., 2007) and firm age (Zellweger et al., 2012), to provide a more nuanced understanding of individual family members' emotion regulation as it relates to succession. In contrast to studies that place family member thoughts and behaviors in a black box and therefore implicitly assume that they experience equal emotions related to specific goals, this study suggests that family members experience a wide range of emotions and that they are likely to regulate them differently from one another. Consequently, this study offers psychological mechanisms that can help family firm scholars explain SEW heterogeneity not only within but also between family firms.

Finally, this study is among the first SEW studies to examine tensions between individual and firm lifecycles. Although family firm scholars have co-opted a "socioemotional" label for their theorizing, the term is originally rooted in the study of developmental psychology and used to denote how various life events at the intersection of social and emotional learning and growth affect personality development over time (Thompson, 1990). Recognizing this, while family firm scholars (e.g. Miller & Le Breton-Miller, 2013) have called for more research to examine the socioemotional wealth lifecycle in family firms, the arguments I present in this study suggest that theory cannot fully understand developments and changes in SEW across family firm lifecycles without first understanding changing socioemotional aspects of the individuals controlling them. With influences from overlapping family and firm systems impacting how family members make decisions, important family decision-makers' age and changing time perspectives are likely to be important causal factors leading to stronger SEW preferences in strategic decision-making, especially for founder-run family businesses.

Taken altogether, the contributions outlined above suggest that family firm scholars need to obtain a more nuanced understanding of the microfoundations underpinning family firm members' SEW-related behaviors and decisions. In this regard, SEW researchers often acknowledge the important roles that cognition, affect, motivation, and social behavior play in organizational decision-making but generally leave these causal factors unexamined or siloed in their theoretical arguments designed to support and examine unique strategic outcomes. However, social psychological and organizational behavior research suggests that, when taking reciprocal relationships between family and nonfamily members or internal and external stakeholders into account in family firms, there will likely be rich explanations underlying the often-heterogeneous behaviors observed in family firms. Recognizing that some scholars argue that SEW research often confuses cause and effect (Berrone et al., 2012; Miller & Le Breton-Miller, 2014), such psychological approaches to studying family firms can play a crucial role in the future of SEW theory.

Limitations and Future Research Directions

Aside from the contributions outlined above, my study inherits several limitations that not only represent its theoretical boundaries and methodological confines but that also present several new opportunities for research on the microfoundations of SEW theory. First, I utilized a cross-sectional correlational survey design to support my arguments for the family firm's socioemotional paradox. Consequently, common method bias can potentially present concerns when interpreting the results of this study. However, following Podsakoff and Organ (1986), I ran analyses that helped me infer that common method bias is likely not an issue. Additionally, hoping to show how psychological approaches to SEW research can prove beneficial beyond strategic approaches, I controlled for the structural family influence variables (number of family

members involved in management, number of generations involved in management, and family members' ownership concentration) that are generally used in strategic management approaches to SEW research. However, future research seeking to move beyond these limitations and further hone psychological causal relations supporting the socioemotional paradox can extend this study's findings using an experimental or multi-method approach. Furthermore, although this study was the first to empirically incorporate a measure of affect or emotion into SEW research, it focused on an individual family member's emotion regulation in general without being tied to a specific event or context that might lead to a more nuanced situational understanding of affect and SEW. Psychological research finds that affective phenomena are often temporally situated and can change from circumstance to circumstance. Therefore, future research can benefit from a finer grained analysis of affect and emotion in response to specific events that directly impact SEW relevant goals or priorities.

CONCLUSION

Few things in life remain as precious and elusive as time. While rational views of time orientation have helped advance the family firm literature and SEW theory, they have also generally kept the explanatory power of psychological time perspective constrained. This paper uses psychological theory about time perspective's role in regulating emotions, social ties, and goal pursuits to advance an individual-level understanding of SEW. While I have offered important implications for the psychology behind why succession happens or does not happen in family firms, even more psychological research in family firm settings is needed to advance the microfoundations of SEW theory.

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ESSAY 5

ARE FAMILY VENTURES RISKY VENTURES? EXAMINING THE EFFECTS OF FAMILY CONTROLLED NEW VENTURES' SOCIOEMOTIONAL WEALTH ON CREDIT RISK AND FAILURE

Disclosure: This essay is the first draft of a paper that I have co-authored with Pankaj Patel and Franz Kellermanns. I developed the theoretical rationale and wrote the first draft of the paper. Pankaj provided access to the Kauffmann Firm Survey (KFS) data and ran the analyses in the KFS enclave, which I then checked and verified.

ABSTRACT

Family controlled new ventures are often thought to have a long-term orientation that can help build socioemotional wealth (SEW). Yet, new ventures often face internal coordination and external legitimacy factors that contribute to their liability of newness, which characterizes their higher failure rates in earlier stages of the organizational lifecycle. Using a panel sample of family operated ventures in their first eight years of existence (2004-2011), we integrate SEW and liability of newness theories to argue that family control of a new venture mitigates internal reasons for failure but increases external legitimacy concerns through credit risk. We find evidence suggesting that families interested in building long-term SEW through intangible assets and patents helps lower family ventures' credit risk. Our results offer contributions about credit risk and failure to both the liability of newness and socioemotional wealth literatures.

New ventures often fail (Shepherd, Douglas, & Shanley, 2000). Faced with limited resources and low legitimacy, these ventures must ultimately overcome difficulties associated with a higher risk of failure in early stages of the organization, or what is often referred to as the liability of newness (Stinchcombe, 1965), to successfully manage relationships with other stakeholders and stay financially viable. For family controlled ventures, the non-economic benefits from family ties in the organization, or socioemotional wealth (SEW), could potentially help overcome the liability of newness (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Feuntes, 2007). Indeed, in this regard, research suggests that positive aspects of family ties in the firm, such as family members' higher trustworthiness, willingness to work for less, and willingness to work longer relative to others, can provide much needed flexibility to navigate difficulties associated with early stages of a firm (Cruz, Justo, & De Castro, 2012).

However, the potential upsides of SEW for family ventures can also come at a financial cost. In particular, family ventures can have limited access to credit (Cassar, 2004; Chua, Chrisman, Kellermanns, & Wu, 2011). Indeed, for lenders and other formal financial institutions, SEW related behaviors can initially be seen as unprofessional (Stuart & Hitt, 2012), rife with conflict (Kellermanns & Eddleston, 2004), or nepotistic (Lee, Lim, & Lim, 2003), thus increasing family ventures' credit risk, or the lenders' risk that the borrower will default on a debt (Bonfim, 2009). Recognizing that lower credit risk has important implications for survival, it is therefore crucial to understand (1) socioemotional wealth's effects on family ventures' credit risk and failure and (2) in what ways aspects of family ventures' socioemotional wealth can be utilized to reduce their credit risk.

Addressing the points raised above, we develop and test hypotheses that examine socioemotional wealth's relationship with credit risk and failure in new family ventures. We

argue and find support that family ventures have a lower likelihood of failure but a high credit risk. Liability of newness and finance theory suggests that lenders assign higher credit risk to safeguard against the likelihood that a venture will fail (Bonfim, 2009; Coleman, 2004; Stinchcombe, 1965). However, additional information can be used to reduce that risk (Berger & Udell, 1995). Consistent with SEW theory's emphasis on building long-term non-economic benefits from family control (e.g. Chrisman & Patel, 2012), we find that the family ventures' higher relative equity invested in intangible assets and number of patents helps reduce family ventures' credit risk and buffer their liability of newness.

Our analysis offers several important contributions to the literature. First, we integrate research on the liability of newness and family business to explain how family control and SEW related aspects of new ventures can help reduce their likelihood of failure. Past research has almost exclusively focused on family's influences on established and later generation family firms, without understanding SEW's implications for earlier stage firms (Le Breton-Miller & Miller, 2013). Our findings suggest that a controlling family's SEW can be present in newer firms and beneficial for overcoming the liability of newness. Second, we examine how long-term investments in SEW related factors can impact credit risk, which is an important indicator of financial viability in early stages. In doing so, we are among the first to empirically examine tensions and tradeoffs between both socioemotional and financial concerns. Finally, we answer calls (e.g. Berrone, Cruz, & Gómez-Mejía, 2012) to better understand how long-term investments that can build SEW not only have financial benefits for the family venture but also can also have financial benefits for external stakeholders extend credit to the family venture. Collectively, these contributions to both the liability of newness and SEW literatures have important implications for research at the intersection of entrepreneurship and family business.

THEORY DEVELOPMENT AND HYPOTHESES

Before we develop hypotheses examining how family control of new ventures impacts their credit risk and likelihood of failure, it is important to briefly highlight credit lenders' roles in these relationships. In particular, access to financial capital is crucial for starting and subsequently operating a new venture (Cassar, 2004). Research in entrepreneurship, strategic management, and finance collectively find that, while established publicly traded firms have access to public debt and equity markets, small new ventures are typically constrained in ways that they primarily rely on credit from financial intermediaries such as commercial and investment banks (Berger & Udell, 1995). Recognizing this, the credit terms that an intermediary sets for a new venture can therefore hurt or help financial viability, impacting the venture's likelihood of survival (Coleman, 2004).

Lenders assess a new venture's credit risk, or the risk that the borrower will default on the debt, to determine whether or not to extend credit and how to set credit terms (Bonfim, 2009). Credit risk calculations therefore take various factors about the venture's finances, management team, and competitive positioning into account (Altman, Sabato, & Wilson, 2010; Bonfim, 2009; Guimon, 2005), having important implications for a venture's financial viability, and serving as an indicator of the likelihood of failure. However, asymmetric information can often be included in credit risk calculations (Stiglitz & Weiss, 1981). As the lender-borrower relationships continue, additional information gained through interactions can therefore alter credit risk calculations (Berger & Udell, 1995).

In summary, credit risk indicates how lending institutions view the financial viability of new ventures. Recognizing that credit typically sustains early stage operations (Cassar, 2004; Coleman, 2004), credit risk has important implications for how lenders predict new venture

survival and additional information can help improve these predictions (Berger & Udell, 1995; Coleman, 2004; Wiklund, Baker, & Shepherd, 2010). As we now move to theorize about the liability of newness and how aspects of long-term investments in SEW can help buffer it, credit risk therefore serves as an important proxy for information exchange between new ventures and financial institutions (Stinchcombe, 1965; Wiklund et al., 2010).

The Liability of Newness

Organizational theorists have long observed that new ventures face high failure rates relative to older more established organizations. Recognizing this, Stinchcombe (1965) theorized about the liability of newness, or a constellation of difficulties associated with starting and running a new firm, to explain why new ventures are prone to failure. More specifically, he offered four reasons that contribute to new ventures' liability of newness: (1) learning new roles and tasks (2) not having standard routines for problem solving (3) not having many social relationships built on trust and (4) not having stable ties with others that supply key resources or use their goods and services. In this regard, factors that are both internal and external to the organization can help explain new venture failure (Hannan & Freeman, 1984, 1989; Stinchcombe, 1965). Internal factors often deal with the lack of reliable relationships and coordination within the firm while external factors often concern the lack of legitimacy that new ventures face with external organizations, institutions, and actors they rely on for vital resources and services (Hannan & Freeman, 1984; Freeman, Carroll, & Hannan, 1983).

A large body of research in organizational ecology and organizational theory lends support to the liability of newness' critical assumption about early venture failure rates (Abatecola, Cafferata, & Poggesi, 2012). As the literature has progressed, scholars have continued to delve further into external and internal factors that can drive failure in early stages

of the firm (Thornhill & Amit, 2003; Wiklund et al., 2010). However, a large majority of these studies primarily focused on industry and population driven factors that impact new venture failure rates in these sectors (Abatecola et al., 2012). For example, using a population sample of social service organizations, Singh and colleagues (1986) argued and found support that external legitimacy contributed more to the continued survival of new ventures compared to internal coordination processes. However, more recently, scholars have begun to examine firm level arguments concerning internal factors that can help mitigate or buffer against the liability of newness. When examining a sample of Canadian bankruptcies, Thornhill and Amit (2003) find that financial management knowledge within a firm can help avoid early failure.

Examining the expansive body of literature, although the majority of research has focused on external factors, liability of newness researchers find support for both external and internal factors impacting failure in early stages of firms, (Abatecola et al., 2012; Shepherd et al., 2000). Yet, much of the available research assumes that internal and external factors found to buffer against failure reinforce each other. In contrast, internal and external buffers could potentially be diametrically opposed. What might help new ventures overcome internal hurdles associated with the liability of newness could also be viewed externally as less legitimate, presenting another problem for new ventures to overcome.

Socioemotional Wealth

Family business research has long stressed the unique characteristics that family control and involvement bring to management of a firm (Chrisman, Chua, & Litz, 2003; Habbershon, Williams, & MacMillan, 2003). This research assumes that the boundaries between family and firm systems are blurred in family firms such that family goals stemming from family ties in and control of the firm impacts strategic decision-making (Gómez-Mejía et al., 2011). Building on

this research, Gómez-Mejía and colleagues (2007, 2011) argue that family firms behave differently than nonfamily firms because noneconomic utilities from family control of the firm provide socioemotional wealth (SEW), or a stock of noneconomic benefits, that is intrinsically more valuable to family principals than their financial wealth. SEW therefore represents an "affective endowment" that is attached to kinship ties in a firm (Berrone, Cruz, & Gómez-Mejía, 2012; Cruz et al., 2012).

As research on the SEW theoretical perspective has proliferated, SEW has been used to explain family firms' unique strategic outcomes related to topics such as environmental performance (Berrone et al., 2010), firm reputation (Deephouse & Jaskiewicz, 2013), diversification decisions (Gómez-Mejía et al., 2010), and corporate social responsibility engagement (Marques, Presas, & Simon, 2014). At the heart of the matter, Berrone and colleagues (2012) argue that important SEW priorities include desire for family control and influence, family member identification with the firm, the ability to keep binding social ties among family members in the firm, emotional attachment of family members, and family succession. In this regard, a long-term orientation in which the firm forgoes shortsighted economic profits for longer-term outcomes is important for many SEW related concerns (Le Breton-Miller & Miller, 2013; Chrisman & Patel, 2012).

Family Control as an Internal Buffer of Failure

In early lifecycle stages, new ventures are tasked with inventing new roles, determining mutual relationships between these roles, and developing policies and rules that address many issues and conflicts that come from these processes (Sine, Mitsuhashi, & Kirsch, 2006; Stinchcombe, 1965). Furthermore, new members that enter the organization can exacerbate these issues, as formal training is often also lacking or nonexistent. In these respects, a lack of trust and

experienced interpersonal relationships between team members lies at the heart of internal reasons driving the liability of newness (Schoonhoven, 2005; Stinchcombe, 1965). Indeed, during a period that is often understood to be the most resource-constrained for firms, learning costs associated with mistakes and inefficiencies between team members can be difficult for new ventures to afford (Thornhill & Amit, 2003). Thus, the liability of newness literature argues that a lack of internally reliable social relationships and routines in new ventures increases their likelihood of failure (Schoonhoven, 2005). Extant population ecology research generally supports these relationships between the lack of coordination and new venture failure (Singh et al., 1986; Thornhill & Amit, 2003). However, scholars note that this research uses population or industry level proxies rather than assessing characteristics that are internal to the firm, leaving many of the internal coordination and routine assumptions in liability of newness theory directly untested.

In contrast, trust and reliable relationships have long been at the core of family firm theorizing (Steier, 2001). Incorporated in the SEW theoretical perspective, strong and familiar familial ties in management and control of a firm are argued to provide nonfinancial benefits in the firm, or SEW, that family members want to protect (Gómez-Mejía et al., 2011). SEW theory argues that, even in early stages, ensuring that the firm survives to benefit future generations is among the highest priorities for family controlled ventures (Le Breton-Miller & Miller, 2013; Zellweger, Kellermanns, Chrisman, & Chua, 2012). In order to accomplish this goal, family is often involved in the management of the firm. Indeed, family firm research finds that family firms are born far more often than they are made, meaning that family ties are generally present in management of the firm from the beginning of the firm rather than added over time (Chua, Chrisman, & Chang, 2004). Moreover, in the pursuit of building and generating SEW, family

involvement and control of a firm can offer several additional benefits. SEW theorists argue that family members become involved in early stages because they are generally more trustworthy, willing to work for less, and willing to work longer, and committed to the continuation of the firm relative to their nonfamily counterparts (Cruz et al., 2012).

Family involvement and control of a new venture can therefore be a unique internal factor that helps buffer against failure. Unlike new ventures that must contend with relationships among strangers, the absence of formal structures, and a lack of established routines, family ventures have the ability to rely on hierarchical relationships, trust, and routines that have already been cemented in family environments preceding the start of the venture (Aldrich & Cliff, 2003). Considering the strength of family ties, the family's role in a family venture can provide flexible social coordination and routines that help buffer against the risk of failure. Recognizing family's benefits that can potentially help overcome internal factors contributing to the liability of newness and failure, we propose the following:

Hypothesis 1: Family controlled ventures have a lower likelihood of failure.

Family Control as an External Liability for Creditworthiness

Although we argued that family control of a new venture can help coordinate and solve internal problems that often lead to failure, external observers might find family controlled ventures to be less legitimate than other types of new ventures. Indeed, researchers have long recognized that family control of a firm can often be viewed as unprofessional (Stuart & Hitt, 2012), conflict prone (Kellermanns & Eddleston, 2004), and nepotistic (Lee, Lim, & Lim, 2003) compared to nonfamily firms. Moreover, decisions that family members make to build SEW for the long-term can come at the cost of foregoing immediate financial returns that external institutions and observers expect new ventures to pursue. In such financially constrained

environments that accompany early lifecycle stages, a dichotomy between socioemotional and financial concerns can present external challenges for securing credit needed to keep the venture financially viable enough to achieve SEW objectives (Le Breton-Miller & Miller, 2013).

Stinchcombe (1965) argued that creditworthiness is an important indicator of external legitimacy for new ventures. To this point, financial capital is generally understood to be a resource that new ventures need to operate and survive (Cassar, 2004). Yet, small new firms are often financially limited and do not have access to public debt markets that larger and more established firm often do (Berger & Udell, 1995). Consequently, research finds that many new ventures primarily rely on credit from banks and similar financial intermediaries, where creditworthiness conferred by these financial intermediaries can have major implications for continued survival (Berger & Udell, 1995; Cassar, 2004). To determine creditworthiness and set terms of credit, financial intermediaries use available information to assess the new venture's credit risk, or the risk that the borrower will default on payment of debt (Bonfim, 2009). However, with a limited operating history, there is also limited information for intermediaries to assess credit risk (Agarwal & Hauswald, 2010). The perceived legitimacy of the venture can therefore be beneficial for the firm (Zimmerman & Zeitz, 2002).

As alluded to earlier, external observers and institutions often perceive family firms to be more informal and thus less legitimate than their nonfamily counterparts (Stuart & Hitt, 2012). From a financial intermediary's perspective, family control or involvement in a new venture likely does little for improving credit risk because it does not signal any formal knowledge, skills, or abilities in the management team that readily provide an advantage over other new ventures and competitors (Altman & Saunders, 1997; Chua et al., 2011). During a time where information that can help a new venture reduce its financial burden is scarce, at the surface level,

family involvement in the firm can potentially increase the credit risk that financial institutions assign to a new venture. In efforts to better control internal social relationships and build SEW that buffers against internal coordination issues new ventures often face, family ventures can therefore potentially increase credit risk and external legitimacy concerns contributing to their liability of newness. We therefore argue:

Hypothesis 2: Family controlled ventures are positively related to credit risk.

Higher Credit Risk and Failure

Credit provides new ventures with cashflow that is crucial for survival. Recognizing this, banks and other financial intermediaries use credit risk in bankruptcy prediction models for organizations to which they extend credit (Altman & Sabato, 2007; Altman & Saunders, 1997; Aziz, Emanuel, & Lawson, 1988). These lenders need to predict the possibility to which organizations will default or fail to make payments. Recognizing that new ventures face different challenges than larger corporations, lenders consequently use different approaches to predicting bankruptcy for new ventures relative to others. Bankruptcy prediction models thus help financial intermediaries make sounder lending decisions, resulting in reduced risk and higher savings on their part (Altman & Sabato, 2007). From the lender's point of view, higher credit risk indicates a higher likelihood of financial distress and therefore a higher likelihood of failure.

Financial institutions use bankruptcy prediction models and credit risk assessments to set the credit terms of loans they offer to new ventures (Altman & Sabato, 2007; Altman & Saunders, 1998). Lower credit risk can benefit a new venture, helping set credit terms that are favorable (Berger & Udell, 1995). However, lenders often put a greater deal of scrutiny into credit terms for new ventures whose credit risk goes higher than certain benchmarks. When new ventures have higher credit risk, it can therefore lead lenders to assign more of the financial

burden to the venture (Altman & Saunders, 1998). During a crucial period where ventures have limited cashflow and it becomes increasingly important, higher credit risk can therefore increase a venture's likelihood of failure. Indeed, the liability of newness argues that external legitimacy concerns, such as those faced in the aforementioned lender-borrower credit risk tradeoffs, contribute to higher failure rates for new ventures (Abatecola et al. 2012; Stinchcombe, 1965). Building on these arguments, we hypothesize the following:

> *Hypothesis 3: Family controlled ventures with higher credit risk have a higher chance of failure.*

Long-Term SEW Investments as Buffers of Credit Risk

Banks and other lending institutions often face information asymmetry that can leave the legitimacy of the borrower in question. Out of all the organizations that lenders deal with, new ventures are generally the most informationally opaque (Altman & Sabato, 2007). Indeed, in comparison to more established organizations that have a longer history or public records that lenders can use to make more accurate credit risk assessments, new ventures have little information and a very limited record that lenders can use to assess their risk (Cassar, 2004). For family ventures interested in building and maintaining SEW, it is important to understand what aspects of SEW within their control can be used to buffer against external legitimacy concerns that impact their credit risk. In this regard, "buffers" are firm characteristics that signal to external observers that the new venture is better equipped to mitigate failure during early stages of the firm.

To address information asymmetries in credit lending relationships, financial intermediaries generally acquire about two types of information: hard information, which often includes information about financial ratios and credit history, and soft information, which can include more subjective, intangible, and private information that is gleaned through lender-

borrower relationships (Agarwal & Hauswald, 2010). Finance research finds that, in addition to hard information, soft information greatly improves credit risk predictions and increases precision in estimating the quality of a new venture's ability to mitigate failure (Altman et al., 2010; Agarwal & Hauswald, 2010; Grunert, Norden, & Weber, 2005; Petersen, 2004). When examining the liability of newness' effects on credit risk, family ventures can buffer external legitimacy concerns increasing their credit risk by providing specific and valuable information about the venture.

Family firm theory argues that family ventures interested in building SEW and a family dynasty across generations will invest in aspects of the firm that have a greater payoff in the long term (Chrisman & Patel, 2012; Le Breton-Miller & Miller, 2006; Lumpkin & Brigham, 2011; Zellweger et al., 2012). Such investments are important for family ventures that want to build a positive family reputation, family legacy, and other affective utilities that relate to and generate SEW because it helps establish infrastructure on which the family can rely for those noneconomic utilities (Le Breton-Miller & Miller, 2013). From an external financial institution's perspective, investments in the knowledge, skills, and abilities to compete for the long-term can provide information that increases the legitimacy of the new venture and therefore reduces its credit risk (Altman et al., 2010). In this way, long term investments in the firm that provide family ventures with SEW can also potentially help buffer against external credit risk concerns contributing to their liability of newness. Recognizing this, in the following sections we examine how family ventures' long-term investments in more intangible aspects of the firm can help reduce their credit risk and thus help buffer against the liability of newness.

Relative Equity in Intangible Assets and Lower Credit Risk. Intangible assets are an organization's nonphysical assets or skills; they are nonphysical resources, such as

organizational culture or employee knowledge, that are often bundled with other physical and nonphysical resources to contribute to a firm's competitive advantage (Barney, 1991; Hall, 1992). For family controlled new ventures interested in maintaining and building family SEW for the long-term, higher investments in intangible assets relative to other firms can potentially help them build infrastructure for firm resources and capabilities that will allow their venture to survive for the longer haul. Indeed, SEW theory suggests that family control and involvement in a firm can often lead to risk-averse approaches and strategies when the family's future ability to benefit from the firm is at risk (Chrisman & Patel, 2012; Gómez-Mejía et al., 2007; Le Breton-Miller & Miller, 2013). Investments in intangible assets such as information systems, human resources systems, or brand development, when bundled in effective ways, can help family ventures build an infrastructure and position of advantage for the controlling family to draw long-term affective benefits through continued control of the firm (Kaplan & Norton, 2004; Matzler, Veider, Hautz, & Stadler, 2014). Furthermore, effective investments in intangible assets could eventually become a source of pride that builds and reinforces SEW. For example, effective investments in intangible assets over time could help build founder confidence and rhetoric within the family supporting what it means to do business as a family member in the business, family reputation through the business, and other affective utilities that can be core to a founding family's SEW (cf. Gersick, 1997; Gómez-Mejía et al., 2011).

From the creditor's perspective, information about a venture's intangible assets can provide relevant input for equity valuations and credit assessments (Botosan, 1997; Guimon, 2005; Richardson & Welker, 2001). Unlike physical assets, intangible assets can often be hard for competitors to understand and imitate. Because intangible assets hardly ever create value by themselves, they need to be combined with other intangible or tangible assets in order to generate

value (Barney, 1991; Hall, 1992). When bundled and used effectively in the family venture, relative investments in intangible assets can therefore provide important sources of competitive advantage (Barney, 1991). Although accountants and other financial analysts have historically struggled with developing reliable and accurate valuations of a company's intangible assets (Hall, 1992; Lev, 2003), they generally agree that a company's relative investments in and value of intangible assets can impact competitive positioning and provide crucial information for lender decision-making (Kaplan & Norton, 2004; Lev, 2003). To this point, approximately 70% of lenders and other financial analysts use information about intangible assets and other nonfinancial aspects of the firm's value in over one-third of their valuation decisions (Low & Kalafut, 2002). Moreover, research finds that when lenders include more information on ventures' intangible assets in their credit risk assessments, their credit default predictions become increasingly more accurate (Altman et al., 2010; Low & Kalafut, 2002).

Although different approaches to credit risk assessment employed by various agencies and institutions will place different weights on information (Grunert et al., 2005), a family venture's relative investments in intangible assets can play an important role in reducing credit risk. Thus, intangible assets can not only provide family ventures with SEW but also can reduce their credit risk, helping to buffer against their liability of newness. While lender assessments are not perfect, information about a family venture's relative equity in intangible assets gleaned from credit assessments and lender-venture relationships over time can help them understand family ventures' competitive positioning and potential future cash flows that can be used to pay debts (Altman et al., 2010; Guimon, 2005). We therefore propose:

> *Hypothesis 4: Family controlled ventures with higher intangibility-to-equity ratio have a lower credit risk*

Number of Patents and Lower Credit Risk. Beyond the benefits that intangible assets offer family ventures, patents offer formal legal recognition of a person or organization's time-specific right of ownership to an invention or process. When a government body issues a patent, it grants the patent holder a monopoly in the exploitation of the particular invention or process for a limited period of time in exchange for disclosing the invention and making it available to the larger public (Hall, 1992). For many family ventures, patents can play an important role in building long-term SEW because, unlike investments in other intangible assets, patents are intellectual property that is afforded long-term legal protection (Hall, 1992; Hall, 2004). Consequently, family ventures can be assured that they have a window of legal protection against rivals that try to exploit certain ideas or processes that can be central to building their reputation, legacy, ability to provide for future generations, and other aspects of SEW that might be important to them in the long-term. During early stages of a family venture, a family's goals interested in ensuring long-term socioemotional wealth can be aligned with current financial and firm goals in ways that they work together rather than work against each other (Chrisman & Patel, 2012). Moreover, as family continues to control the firm over time, SEW is more likely to grow with the higher amount of patents that the family venture has in its possession. This is because more patents can help establish a stronger outlook for the family's ability to benefit from the firm in the future.

Beyond the instrumental role that patents play in reinforcing and protecting a family's long-term SEW priorities, they can also prove instrumental in buffering against the liability of newness by reducing a family venture's credit risk in credit risk assessments. From a lender or other financial credit rating institution's perspective, although patents can be context-specific, they are intellectual property rights that, when appearing on balance sheets, can be used as

collateral or security against a family venture's debt (Bramson, 1981; Guimon, 2005). However, beyond being potential collateral, patents are even more likely to offer those that assess credit risk a better indication of the family venture's competitive positioning (Guimon, 2005; Petersen, 2004). In practice, factors contributing to a firm's competitive position in the industry are included in checklists that loan officers fill out as part of their credit risk assessments that later form the basis for lending decisions (Guimon, 2005). Patents are viewed in a positive manner in credit risk assessments because they indicate protection against competition and potential drivers of future cash flow that can be used to repay the family venture's debt. Higher numbers of patents owned could further signal capabilities and core competencies that help reduce information asymmetries in lender-venture relationships (Altman et al., 2010; Petersen, 2004). Furthermore, patent ownership can not only be used to keep and develop a competitive advantage but can also offer family ventures a strong position to develop favorable licensing partnerships that increase cash flow (Guimon, 2005; Hall, 2004). Consequently, the more patents that a family venture has, the more likely its competitive positioning and prospect for survival can be evaluated favorably, helping to reduce credit risk that lenders assign to the venture.

In summary, for family ventures interested in building long-term SEW, patents provide a legal mechanism that can play an important role in establishing and protecting their long-term interests, such as those related to status, reputation, and ability to provide for future generations. However, from the creditor's perspective, concrete evidence of a possible competitive advantage through patents can also set these family ventures apart from other new ventures that have less certain information for them to evaluate. Thus, although SEW research has often argued that socioemotional and financial concerns are often in conflict, our arguments suggest that a long-term SEW approach through the number of patents can not only align goals in early stages of a

firm but also help new family firms buffer against credit risk contributing to their liability of newness.

Hypothesis 5: Family controlled ventures with more patents have a lower credit risk.

METHODS

Data

To test the proposed effects hypotheses on the relationship among family ventures, survival, and credit risk we draw on a panel of 662 ventures followed from 2004 to 2010 in the Kauffman Firm Survey (KFS). KFS is one of the most comprehensive longitudinal data of ventures in the United States. Started in 2004, KFS includes information on 4,928 ventures that started operations in 2004. As the ventures are included in the sample from the year of establishment, not only the dataset allows us to focus on longitudinal influence of family in ventures, but also lowers survival bias. KFS also measures credit risk from archival sources, a measure rarely available in entrepreneurship studies. As credit risk is a potential pre-cursor to likelihood of failure, the data allows us to extend the notion of SEW to family ventures and assess the influence of SEW on credit risk and survival.

KFS includes a wide range of information, including owners' and firm's characteristics from a wide range of industries. We use the survival analysis file developed by Farhat and Robb (2014). We use the confidential KFS data available on National Opinion Research Center's (NORC's) Data Enclave. For further details we refer interested readers to KFS website (Source: http://www.kauffman.org/what-we-do/research/kauffman-firm-survey-series).

We use casewise deletion. The final sample includes 662 family and non-family ventures tracked from 2004 to 2011.

Outcome variables

Failure [H1 and H3]. If a venture has failed during the period of observation it is coded as 1 in year when it discontinued its operations, else coded as censored. In the sample, of the 662 ventures 213 failed, representing 32.17% failure rate.

Credit risk [H2, H4, and H5]. Credit risk is measured based on commercial credit score available form archival sources, and coded based on percentiles of credit score. Risk class 1 represents the lowest credit risk with the commercial credit score between 536 and 670 (91-100 percentile). Similarly, scores of 493-535 (71-90 percentile), 423-492 (31-70 percentile), 376-422 (11-30 percentile), and 101-375 (1-10 percentile) are scored 2, 3, 4, and 5, respectively. Higher values represent higher credit risk. Credit risk is an outcome variable for hypotheses 3 to 5, and a moderator for Hypothesis 2.

Predictor – Family venture

A family venture is coded as 1 if two or more members of the same family own more than 50 percent equity, else it is coded as 0, or a non-family venture. While the purpose of KFS was not to assess behaviors of family venture in greater detail, the measure captures both ownership and control dimensions of family involvement. Furthermore, recent studies () have found a strong correlation between family ownership and control with other measures of family ownership.

Moderator variables

To operationalize the relative equity of intangible assets to tangible assets we created an *Intangibility-to-equity ratio* that measures the extent of intangible assets relative to equity of the venture. We take a ratio of tangible assets (property, plant, and equipment and buildings) to total equity. This ratio represents the relative equity invested in tangible assets. We subtract this

number from 1 to interpolate relative equity invested in intangible assets. To assess veracity of the measure, we correlate it is with ventures who reported the level of direct investments in intangible assets ($r = 0.16$, $p < 0.001$). Additional factor analysis showed that intangibility-to-equity ratio and level of direct investments in intangible assets that both indicators loaded one factor (LR Chi-square independent vs. saturated model = 53.88, p = 0.0000). To measure the *number of patents, we* use the count of number of patents reported by the respondent. The value ranges from 0 to the number of reported patents.

Controls

We control for whether the venture *has internet sales* (=1, else = 0) or *has international sales* (=1, else = 0). To control for venture performance and related unobservables we control for *net profit*. As *race diversity* and *gender diversity* could lead to distinct venture decisions and processes, we include the Blau's diversity indices for race and gender. The race included in the measure are American Indian, Asian, Black, Hispanic, Other, and White. As ventures in *high-tech* sector could significantly affect venture failure, we include whether the venture is in high-tech sector (=1, else = 0). As owner efforts in ventures could vary systematically, we include *weekly hours worked* by primary owners and *number of years of work experience* of the *primary owner*. Similarly, we also control for *average weekly work hours* of other active owners, *average work experience* of other *active owners*, the *number of business locations* and use *state dummies.*

Results

Table 5.1 lists mean, standard deviation and pairwise correlations based on casewise deletions. We use Cox regression to test hypotheses 1 and 2. Of the 662 ventures with full information from 2004 to 2011 observations, 213 failed. As presented in Table 5.2, for Hypothesis 1, in the stepwise model, although effect of family venture on failure was negative

and insignificant, in the full model, the effect was marginally significant (H1: $\beta = -0.856$, $p < 0.10$). We infer marginal support for Hypothesis 1. Hypothesis 3 proposed that family ventures with higher credit risk would have a higher chance of failure (H2: $\beta = 0.234$, $p < 0.10$). Figure 1(a) shows that with increasing credit risk, the likelihood of failure of a family venture is higher than that of a non-family venture.

To test hypotheses 2, 4, and 5, the outcome variable is reported in fewer panels to not facilitate a panel data regression. As seen in Table 5.3, we therefore cluster the observations using firm id, and use pooled regression of the panel. Hypothesis 2 proposed that family ventures would have a higher credit risk. This hypothesis is not supported. Hypothesis 4 proposed that family firms with higher intangibility-to-equity ratio are more likely to have lower credit risk (H4: $\beta = -0.355$, $p < 0.10$). Figure 5.1(b) shows that with increasing intangibility-to-equity ratio, family firms have lower credit risk. Hypothesis 5 proposed that family firms with more patents are more likely to have lower credit risk (H5: $\beta = -0.267$, $p < 0.01$). Figure 5.1(c) shows that with increasing number of patents, family firms have lower credit risk.

Overall, Hypothesis 2 is not supported, hypotheses 1, 3, and 4 are marginally significant, and Hypothesis 5 is strongly supported. In summary, family ventures are less likely to fail and under higher credit risk family ventures are more likely to fail. While there is no significant difference in credit risk between family and non-family ventures, family ventures with higher intangibility-to-equity ratio and those with more patents are more likely to have lower credit risk.

DISCUSSION

Integrating liability of newness with socioemotional wealth theories, in this paper we examined how family control of a new venture can influence credit risk and failure. We

TABLE 5.1
Descriptives – Mean, SD, Partial Correlations

		Mean	SD	1	2	3	4	5	6	7	8
1	Credit Risk	2.6229	1.0420	1							
2	Failure Event	0.1591	0.3658	0.0949*	1						
3	Internet Sales	0.2825	0.4503	0.0039	-0.0176	1					
4	International sales	0.2306	0.4213	-0.0509*	-0.0625*	0.2496*	1				
5	Net Profits	41219	548310	-0.0340*	-0.1409*	0.0596*	-0.0520*	1			
6	Primary Owner -- weekly hours worked	44.5737	22.9606	0.0092	0.0057	0.0453*	0.0517*	0.0467*	1		
7	Primary Owner -- experience (years)	13.1521	10.9197	-0.0828*	-0.1105*	-0.0662*	0.0460*	0.0432*	0.0853*	1	
8	Average work experience of active owner operators	11.8515	8.6241	-0.0468*	-0.0949*	-0.0832*	0.0465*	0.0094	0.0466*	0.7997*	1
9	Average weekly hours worked by active owners	37.9373	18.2111	-0.006	0.0912*	0.0323*	0.0616*	0.013	0.4615*	0.0587*	0.1256*
10	Number of locations	1.2935	1.0706	0.0008	-0.0221	0.0480*	0.0186	-0.0225	0.0258	0.0375*	0.0647*
11	Family Venture	0.3795	0.4853	-0.0475*	0.0597*	0.0523*	-0.0992*	0.0692*	0.0145	-0.0694*	-0.1300*
12	Intangibility-to-equity ratio	0.5931	0.3561	-0.0555*	0.0132	0.0360*	0.2293*	0.0178	0.0176	0.0619*	0.0897*
13	Number of patents	0.4020	3.1866	0.0336*	-0.0209	0.0069	0.1724*	-0.0924*	0.0527*	0.0527*	0.0733*

		9	10	11	12	13
9	Average weekly hours worked by active owners	1				
10	Number of locations	0.025	1			
11	Family Venture	-0.1240*	-0.1113*	1		
12	Intangibility-to-equity ratio	0.0755*	0.001	-0.0731*	1	
13	Number of patents	-0.0371*	0.0887*	-0.0807*	0.0843*	1

Notes. * $p < 0.05$ (two-tailed)

TABLE 5.2
Cox Regression Estimates

COEFFICIENT LABELS	(1) _t	(2) _t	(3) _t
Family venture [H1]		-0.135	-0.856†
		(0.154)	(0.441)
Family venture × Credit risk [H3]			0.234†
			(0.133)
Credit risk	0.222***	0.270***	0.182*
	(0.021)	(0.066)	(0.082)
Internet Sales	0.105*	-0.197	-0.199
	(0.050)	(0.190)	(0.190)
International sales	-0.550***	-1.177***	-1.170***
	(0.071)	(0.278)	(0.278)
Net Profit	- 0.000000435***	- 0.000000488**	- 0.000000491**
	(0.000)	(0.000)	(0.000)
Primary Owner -- weekly hours worked	0.00633***	0.0207***	0.0214***
	(0.001)	(0.004)	(0.004)
Primary Owner -- experience (years)	-0.00877†	0.00575	0.00395
	(0.005)	(0.011)	(0.012)
Average work experience of active owner operators	-0.00601	-0.0343*	-0.0313*
	(0.005)	(0.015)	(0.015)
Average weekly hours worked by active owners	-0.0142***	-0.0059	-0.00735
	(0.001)	(0.005)	(0.005)
Number of locations	-0.0247	-0.355*	-0.354*
	(0.016)	(0.164)	(0.164)
State dummies?	Yes	Yes	Yes
Ventures at risk	2094	662	662
Ventures failed	2261	213	213
LL	-20493	-1578	-1577
Chi-2	815.7	355.4	358.5

Notes.
Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05, † p<0.1

TABLE 5.3
Pooled Regression Estimates

COEFFICIENT	(1) Credit Risk	(2) Credit Risk	(3) Credit Risk	(4) Credit Risk
Family venture [H2]		0.0665	-0.079	0.0638
		(0.166)	(0.098)	(0.166)
Intangibility-to-equity ratio		-0.0353		-0.0432
		(0.178)		(0.179)
Family venture × Intangibility-to-equity ratio [H4]		-0.355†		-0.334†
		(0.206)		(0.207)
Number of patents			0.0166	0.017
			(0.015)	(0.015)
Family venture × Number of patents [H5]			-0.267**	-0.223*
			(0.096)	(0.097)
Internet Sales	0.100*	0.102	0.0952	0.104
	(0.043)	(0.102)	(0.101)	(0.103)
International sales	-0.0694	-0.0751	-0.0638	-0.0811
	(0.060)	(0.127)	(0.124)	(0.128)
Net Profit	-2.01e-09**	0.000000036	3.94E-08	3.93E-08
	(0.000)	(0.000)	(0.000)	(0.000)
Primary Owner -- weekly hours worked	-0.000326	0.000817	0.0000293	0.000711
	(0.001)	(0.003)	(0.003)	(0.003)
Primary Owner -- experience (years)	-0.0123*	-0.0229***	-0.0217**	-0.0231***
	(0.005)	(0.007)	(0.007)	(0.007)
Average work experience of active owner operators	0.0101†	0.0210*	0.0202*	0.0211*
	(0.006)	(0.009)	(0.009)	(0.009)
Average weekly hours worked by active owners	-0.000148	-0.00281	-0.0015	-0.00267
	(0.001)	(0.003)	(0.003)	(0.003)
Number of locations	0.00168	-0.0169	-0.015	-0.0178
	(0.002)	(0.030)	(0.030)	(0.030)
State dummies?	Yes	Yes	Yes	Yes
Constant	3.016***	2.244***	2.544***	2.250***
	-0.0544	-0.24	-0.314	-0.241
Observations	49463	3737	3801	3734
R-square	0.0363	0.157	0.147	0.158

Notes.
Robust standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05, † p<0.1

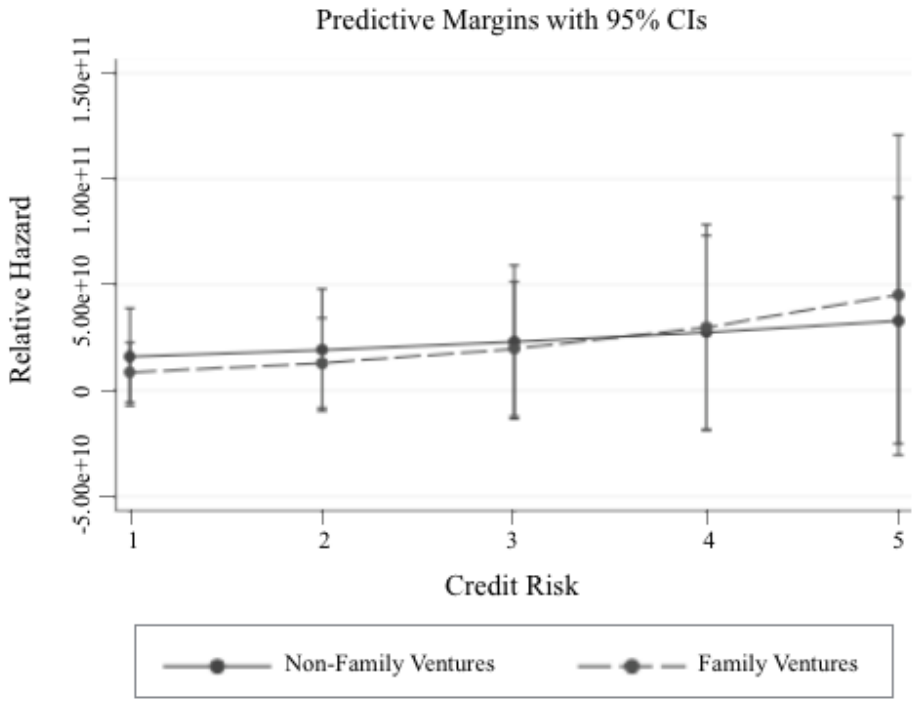

FIGURE 5.1(a)
Family Venture and Credit Risk Effects on Survival

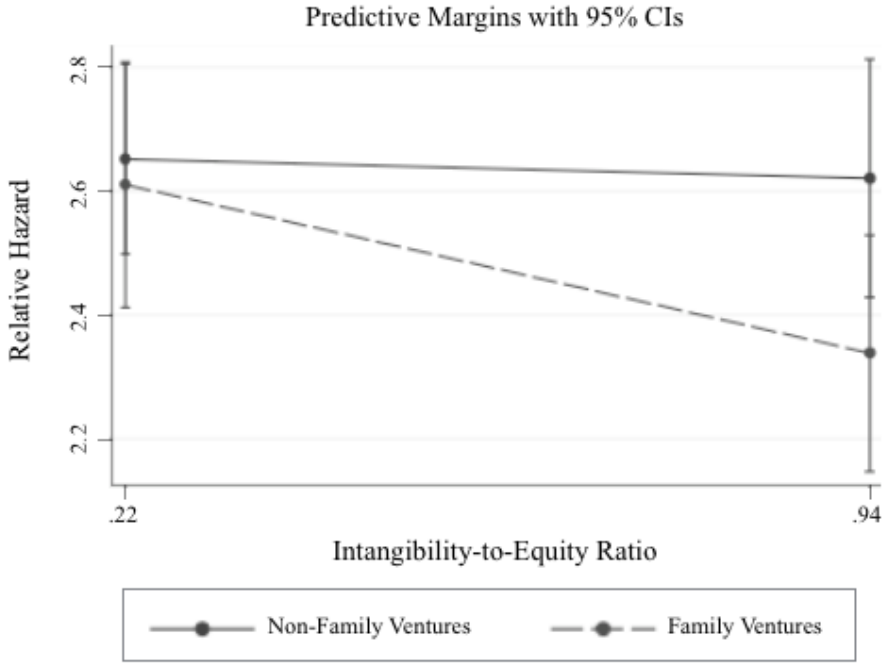

FIGURE 5.1(b)
Family Venture and Intangibility-to-Equity Ratio Effects on Credit Risk

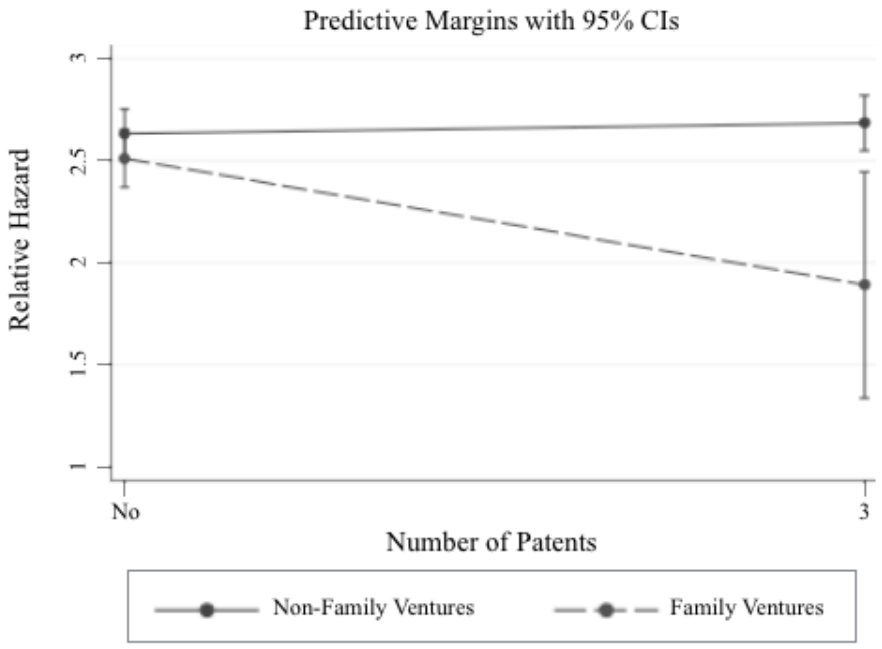

FIGURE 5.1(c)
Family Venture and Number of Patents Effects on Credit Risk

hypothesized and found marginal support that family controlled ventures have a lower probability of failure, which we attributed to family routines that not only build SEW but buffer against internal coordination issues contributing to new firms' liability of newness (H1). We further reasoned that although family control helps buffer against internal reasons for failure, it could also pose external legitimacy concerns that increase credit risk. Results indicate that family control of a new venture is not associated with higher credit risk (H2) but that when family controlled new ventures have higher credit risk they are more likely to fail (H3). This suggests a possible kinked threshold effect where SEW through control mitigates failure up to a point but when factored in with higher credit risk levels leads to a higher probability of failure. Then, recognizing that SEW related practices can potentially lead to higher credit risk, we sought to examine how SEW related investments in the long-term can help family ventures buffer against higher credit risk levels contributing to their liability of newness. Our findings suggest that long-

term SEW investments through increased relative equity in intangible assets (P4) and greater amounts of intellectual property through the number of patents owned (P5) are both associated with lower credit risk.

As such, our study offers three primary contributions to the literature. First, we use logic behind socioemotional wealth (Gómez-Mejía et al., 2007) to enrich theoretical understanding about internal issues contributing to the liability of newness (Stinchcombe, 1965). In this respect, liability of newness theorists have long argued that internal coordination issues contribute to a higher likelihood of failure in early stages of a venture (Shepherd et al., 2000; Stinchcombe, 1965). However, extant scholarship utilizing population ecology and firm level samples to examine relationships between firm age, failure, and external legitimacy concerns has generally left the liability of newness' critical assumptions about internal coordination issues unexamined and untested (Abatecola et al., 2012; Wiklund et al., 2010). We addressed these theoretical needs by arguing that family brings trusted relationships and established routines to a new venture that buffer against the liability of newness, showing that a new venture is less likely to fail when two or more family members have majority control of the firm. Our study therefore contributes to entrepreneurship theory by demonstrating that family control and involvement can help some new ventures overcome the liability of newness.

Second, extant scholarship examining SEW's role in family ventures has predominantly focused on established firms that overcame early survival risks and that are often run by second or later generation family members. Addressing calls for more detailed research examining the lifecycle of SEW (Le Breton-Miller and Miller, 2013), our study is therefore among the first to deliver specific theoretical and empirical insights about SEW's role in early stages of a family firm. While SEW research often pits family concerns against firm or financial concerns,

Chrisman and Patel (2012) postulate that when long-term family goals are more prominent as a reference point, it can lead family owners and managers to have more consistent strategies that are good for both the family and the firm. By demonstrating how aspects of family venture's early investments in aspects that can build long-term SEW reduces credit risk, we are the first to provide empirical evidence supporting Chrisman and Patel's (2012) arguments that long-term family goals and firm goals can be aligned. Furthermore, our analysis suggests that particular points in the organization lifecycle can be important factors in determining when and why family and firm goals align or do not align.

Finally, our study builds research on reciprocal influences between family ventures and external stakeholders that impact the family ventures' financial viability. To this point, Berrone and colleagues (2012: 272) have called for more research examining "types of stakeholders that might benefit from the family principals' emphasis on strategic actions aimed at SEW." While past research has generally examined SEW-related events that are primarily within the family firm's control, such as decisions to join a co-op (Gómez-Mejía et al., 2007), financial valuation if the family sold the firm (Zellweger et al., 2012), R&D investment decisions (Chrisman & Patel, 2012), and diversification decisions (Gómez-Mejía et al., 2010), our research examines credit risk, a factor that external financial institutions set based on information about the family venture. Our findings suggest that family ventures' long-term investments in intangible assets and patents can indirectly benefit lenders through lower credit risk, consequently leading to a higher likelihood that the family venture repays its debts to the respective financial institutions.

Taking all of these contributions together, our study highlights the need for more research focusing on family entrepreneurship. Despite the prevalent roles that family often plays in many nascent firms (Aldrich & Cliff, 2003), research in entrepreneurship and family business

literatures, while sharing some commonalities, often examines different questions and points in the firm lifecycle (Brockhaus, 1994; Dyer & Handler, 1994). This can leave important phenomena that are critical to family ventures' survival unaddressed. For example, research on SEW in family firms often focuses on established firms and coincidently lacks an understanding of the genesis of SEW (Berrone et al., 2012; Gómez-Mejía et al., 2011; Le Breton-Miller & Miller, 2013). Similarly, entrepreneurship research often examines relationships concerning founders, entrepreneurial teams, or external stakeholders such as investors and generally does not explore what role family members might play in sustaining entrepreneurial ventures (Aldrich & Cliff, 2003). Findings from this study suggest that greater understanding of family control and involvement in new ventures can not only contribute to family firm theory but can also explain factors that contribute to new venture financial viability and survivability.

Limitations and Future Research Directions

Aside from its contributions, our study has several limitations that not only serve as the boundaries of our theorizing but that also provide opportunities for future research. First, our study utilizes Kauffman Firm Survey data that, while including information about family control, has limited information about various aspects of family involvement in the firm. However, the longitudinal nature of KFS data, which was collected during early venture stages that are important to but often missing in the SEW literature, has a great deal to offer research at the intersection of entrepreneurship and family business scholarship. Consequently, the sample frame and restrictions we used with the KFS data fit an important need in the family entrepreneurship literature. However, future research would benefit from using different sampling frames that are tailored toward understanding more aspects of family's involvement and roles in new ventures.

Second, missing data in the KFS led us to utilize proxies for arguments related to intangible assets and intellectual property. However, our additional analyses found that intangible assets are positively correlated with our study's intangibility-to-equity variable. Our study suggests that intangible assets play an important role in nonfinancial and financial goal alignment in early stages of family ventures. Consequently, future entrepreneurship and family business scholarship can benefit from more research examining family controlled ventures' investments in intangible assets and resources at early stages of a firm. More specifically, it is important for future research to understand when, why, and how the genesis of SEW occurs. Whether it occurs in early entrepreneurial ventures and continues throughout the lifecycle of the firm or occurs at a later point in the firm lifecycle has important implications for understanding social relationships and decision-making in both entrepreneurship and family business research.

Third, consistent with common practice in the family firm literature interested in the differences between family and nonfamily ventures, we employed a binary measure for family ventures. Although this measure fit our research questions and approach, future research could benefit from distinguishing varying differences in the effects of long-term SEW investments within the family firm population rather than between family and non-family firms. Furthermore, recognizing that family firms often have family involvement in the firm from the very beginning (Chua et al. 2004) but that research often focuses on family firms later in the lifecycle (Berrone et al., 2012; Le Breton-Miller & Miller, 2013), future research could also benefit from examining various degrees of family control and involvement in entrepreneurial ventures.

CONCLUSION

Utilizing longitudinal data from the Kauffman Firm Survey, we examined relationships between the liability of newness and SEW in family-controlled new ventures during their first

eight years of existence. The results suggest that family control of early stage ventures is associated with lower failure rates. Indeed, history has proven that family is a reliable and robust institution that inherently involves strong routines and relationships (Aldrich & Cliff, 2003), which we argued helps overcome internal coordination problems contributing to the liability of newness. Additionally, our results lend support to the idea that family controlled ventures' investments in long-term strategies help buffer against external legitimacy concerns that often put firms in positions of poor financial health and at risk of failure. As research examining family's role in entrepreneurial ventures continues to grow, more research is needed to understand when and why SEW comes into existence and how family members' pursuits of nonfinancial objectives can often benefit firms' financial bottom lines.

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CONCLUSION

In this dissertation, I offered five essays that theoretically, methodologically, and empirically extended the microfoundations of socioemotional wealth (SEW) theory. Through these approaches, I hope to challenge (a) family business scholarship to incorporate more psychological explanations of family members' behaviors into its theorizing and empirics and (b) broader management research to unearth theoretically novel relationships related to family involvement and influence in decision-making at the apex of organizations. In the following section, I conclude these efforts by briefly summarizing and connecting the main findings and implications from these essays. Yet, it is important to note that these findings and implications only begin to scratch microfoundational relationships underpinning unique family firm behaviors. Therefore, I end with an earnest call for research to more fully understand what drives unique family firm phenomena.

This dissertation was motivated by the realization that SEW scholars have built static assumptions about controlling family members' decision-making frames, affect, motivation, time perspectives, and social relationships in and outside the firm – all topics that are truly dynamic psychological phenomena – into studies that only examine the consequences of SEW preservation and that do not fully understand the causes (cf. Berrone, Cruz, & Gómez-Mejía, 2012). If SEW is indeed intrinsically held at a deep psychological level - as is often argued but generally not substantiated in family business research (e.g. Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010) - then we need psychological theory and methods to explain why, how, when, where, and what makes family members' SEW preservation decisions occur. Indeed, this is the central premise guiding and connecting all the essays in this dissertation.

I began in the first essay by surveying the extant SEW literature, demonstrating that scholars often build cognitive, affective, motivational, and social assumptions into their arguments that they cannot truly corroborate with the secondary archival data analysis approaches that dominate the SEW literature. To remedy this issue, I reviewed and integrated psychological research on goals systems (Kruglanski et al., 2002) with SEW research, providing psychological tenets that can be used to guide investigations of the microfoundations of SEW theory. In essay 2, further integrating affective assumptions from family science and organizational behavior research, I expanded theoretical mechanisms that explain emotion and family dynamics' roles in SEW preservation. Past approaches to SEW research often group family members together, ignoring that they likely have different SEW preferences, valued goals, and emotional reactions to events that threaten various aspects of their SEW. Essay 2 therefore helps move the microfoundations of SEW theory forward by accounting for heterogeneity and differences in SEW among family members within the firm.

When taking essay 1 and essay 2 together, it becomes apparent that latent SEW measures and theorizing that ultimately serves SEW theory's unique firm-level consequences - while extremely instrumental in advancing family firm scholarship - limits what researchers can truly extrapolate about the causes of SEW preservation decisions. In particular, the literature's focus on SEW preservations' unique firm-level outcomes without understanding family decision-maker's underlying emotions, motives, and contexts presents a static view of SEW preservation. In essay 3, I argued that family firm scholars who, rather than making ex ante assumptions, want to understand how *changes* in SEW motivate unique family firm decisions must directly manipulate family firm members' perceptions of SEW related factors and examine their affective reactions, changes in goal pursuits, and decision-making. Consequently, I argued that multi-

method approaches that incorporate experimental designs offer strong methodological advantages that can supplement current archival approaches to examining SEW in family firms. Moreover, as with earlier essays, the third essay points to the need for family firm research to more directly understand heterogeneity in SEW contexts and preferences that lead family firm members, and thus family firms in general, to act differently from one another.

Addressing the call to more purposefully incorporate psychological understanding into SEW theory that unified earlier essays, essay 4 integrates socioemotional selectivity (Carstensen, 1993, 1995) and socioemotional wealth theory (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007) to provide one of the first direct tests of SEW relationships at the individual level. More specifically, the fourth essay examined individual family members' emotion regulation, social ties, and time perspective's impact on succession, one of the family firm literature's highest SEW priorities (cf. Zellweger, Kellermanns, Chrisman, & Chua, 2012). In examining these relationships, this essay challenges commonly held assumptions that family firms have a long-term orientation to suggest that this perspective only captures one part of the story. My findings suggest that, for the majority of their tenure in the firm, family firm decision-makers will indeed have an open time perspective that is conducive to succession. However, as I argue and find support for in essay 4, family firm research often fails to account for the socioemotional effects of narrowing time perspective that can increasingly lead succession to become less desirable. Essay 5, also extending research on long-term orientation in SEW, examines important implications that long-term orientation can have on credit risk and survival in family controlled new ventures. This essay's implications, beyond essay 4's implications, are important because they take context and a specific time period in the organizational lifecycle into account.

In the aggregate, these essays advance SEW theory by incorporating finer-grained psychological assumptions or contextual features into their theorizing and empirics. The first two essays identify the need and mechanics for these psychological aspects of SEW theory. Essay 3 offers new methodological approaches that can be used to measure the microfoundations of SEW theory. Moreover, essays 4 and 5 examine the same topic – long-term orientation in SEW – using both primary and secondary data to offer new implications for SEW and time perspective in family firms. Essay 4 extended the microfoundations of SEW by offering a psychological reconciliation for diametrically opposed assumptions between long-term orientation and low succession rates in family firms. In contrast, essay 5 took more traditional strategic approaches to SEW research but incorporated microfoundational core assumptions concerning context and time to understand SEW' role in a specific stage in the organizational lifecycle.

In conclusion, consistent with psychological approaches, each of the essays in this dissertation offers important implications for extending SEW research through more nuanced conceptual, methodological, and empirical approaches. Although SEW and broader family firm research often uses proxies - such as the number of generations involved in the firm, the number of family members in the firm, or the family's ownership concentration - to examine unique differences between family and nonfamily firms, what can we really infer about how family members actually behave inside the firm from these proxies? Through efforts in this dissertation, I tried to develop expansive and imaginative ways to further understand SEW phenomena. While there are several great reasons why a strategic management approach has long driven family firm research, there are equally great reasons why more psychological approaches will be crucial for developing the future of the field. It is therefore my sincere hope that family business researchers will begin examining what psychological approaches can offer family firm research. After all, if

family is believed to introduce unique goals, unexpected emotions, and unique social behaviors to management, then there are likely several promising opportunities for the future of SEW microfoundations research.

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