Family Firm Behavior from a Psychological Perspective

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Abstract
The heterogeneity of family firms and their simultaneous pursuit of financial and nonfinancial goals is well established in the literature. However, causal factors underlying the variance in the goals, behaviors, and performance of family firms remain unclear. To help fill this gap, the articles in this special issue point to psychological aspects of individuals and families that underpin family firm behaviors and outcomes. Building on the theme of psychological influences, this introductory article discusses how the integration of five sub-fields of psychology can accelerate our understanding of the causes and consequences of individual and group behaviors in family firms.

Keywords
family business, social psychology, cognitive psychology, developmental psychology, evolutionary psychology, industrial organization psychology

Although the possibility of a revival cannot be dismissed, this is potentially the final special issue associated with the annual *Theories of Family Enterprise* (ToFE) conference that will be published in *Entrepreneurship Theory and Practice* (ETP). Initiated in 2001, ToFE was designed to extend the theoretical horizons of family business research and expand the community of family business scholars so that how and why family firms behave and perform differently from non-family firms and from each other could be better understood (Chrisman, Chua, Le Breton-Miller, Miller, & Steier, 2018; Chua, Chrisman & Steier, 2003; Zellweger, Chrisman, Chua, & Steier, 2019). Since 2003, 17 special issues from the ToFE conference have been published, counting this one. Of these special issues, 16 have been published in ETP (no special issues were published in 2007 or 2017) and one was published in *Journal of Business Venturing* (JBV) in 2003. Not counting the introductory articles, the special issues published in ETP have included 80 articles and 54 commentaries (plus five articles and three commentaries in JBV), authored by
200 different scholars (plus nine others whose work only appeared in the JBV special issue). Overall, we believe that the ToFE conference and the associated special issues have been successful in drawing attention to the importance of family business and contributing to the development of the field. Indeed, taken together, the articles and commentaries published in the ToFE special issues have yielded five of the 17 articles (29%) published in ETP since 2003 with over 1,000 Google Scholar citations and 13 of the 50 (26%) most cited articles in ETP during that time period. This is even more impressive considering that the previous 15 special issues accounted for only 15% of all the issues published in ETP between 2003 and 2019. We believe this, the 16th special issue in this series published in ETP will provide further contributions.

A distinguishing feature of the ToFE conference was that researchers from outside the family business domain who were perceived to have the interests and expertise needed to contribute to the development of a theory of the family firm were expressly invited to participate alongside family business scholars to co-create knowledge on distinctions within family firms as well as between family and nonfamily firms. An inter-disciplinary pool of ideas emerged as researchers with varied theoretical perspectives applied mainstream theories as well as examined the theories’ boundaries of applicability to understand how family involvement and control influenced firm behavior and performance. Early, highly-cited contributions in ETP include identifying the primary and unique resources of family firms (Sirmon & Hitt, 2003), the unique aspects of family firm governance (Carney, 2005), the agency issues in large (Morck & Yeung, 2003) and small (Chrisman, Chua, & Litz, 2004) family firms, and the impact of culture on entrepreneurial behavior in family and nonfamily firms (Zahra, Hayton, & Salvato, 2004). More recent contributions including work in areas such as goal setting (Kotlar & De Massis, 2013), R&D investments (Gómez-Mejía, Campbell, Martin, Hoskisson, Makri, & Sirmon, 2014), family
wealth and governance (Zellweger & Kammerlander, 2015), succession (Parker, 2016), conformity in new product introductions (Mazzelli, Kotlar, & De Massis, 2018), and corporate social performance (Cruz, Justo, Larraza-Kintana, & Garces-Galdeano, 2019).

For this special issue, the theme is family firm behavior from a psychological perspective. Psychology is the science of behavior; it deals with understanding behaviors, how the interaction of heredity and environment cause behaviors, and the consequences of behaviors (Kimble, 1989). Five areas of psychology – social, developmental, cognitive, industrial organization, and evolutionary – seem particularly relevant to family business research because they capture important aspects of family firm behavior. Family firms’ distinctiveness ultimately arises from the types and intensities of family members’ feelings, emotions, preferences, and attachments, toward family enterprises, all of which fall within the domain of psychological research. By drawing on the knowledge bases from these areas, family firm researchers will better understand the individual and family characteristics and behaviors that drive firm level goals, strategies, resources, capabilities, behavior, and performance.

Following a discussion of these areas of psychology, we describe the five articles that make up this special issue and conclude with some directions for future research. Of course, contributions related to psychology have appeared in prior special issues emanating from the ToFE conference. For example, drawing on procedural justice theory, Barnett and Kellermanns (2006) proposed that moderate family involvement enhanced nonfamily employees’ value creating behaviors. Likewise, in comparing the performance of top management teams of rapidly growing firms, Ensley and Pearson (2005) found parental teams to be more effective than teams of non-kin, or kin without parental involvement. More recently, Vardaman, Allen, and Rogers (2018) use a social network perspective to study how friendships with family members reduce
the turnover of nonfamily employees while McLarty, Vardaman, and Barnett (2019) use a social exchange perspective to show how congruence between supervisors’ family status and the importance they place on socioemotional wealth can help improve employee performance.

It is interesting to note that research is undergoing a similar bifurcation at the family level that Chua, Chrisman, and Steier (2012) had earlier noted at the firm level. That is, while some studies compare the behaviors of family members and nonfamily members within family firms and across family and nonfamily firms, others differentiate among family members and families using variables such as blood relationships, marital or legal status, cohabitation, generation, etc. In addition, the conceptualization and operationalization of the family variable is following a similar duality between the components-of-involvement and essence approaches earlier noted at the firm level in the literature (Chrisman, Chua, & Sharma, 2005; Chua, Chrisman, & Sharma, 1999). Some researchers use components-of-involvement such as genetic distance to capture within family differences (Yu, Stanley, Eddleston, & Kellermanns, 2020), while others have used essence based variables such as shared history and commitment to the development and well-being of individual family members (Jaskiewicz, Combs, Shanine, & Kacmar, 2017).

Below, we discuss branches of psychology and introduce the articles in this issue. In the next sections, it should become further evident that the family business literature is on the verge of transitioning into a new era of finer-grained theory development by delving deeper into psychological influences on business families and their firms. We believe that these finer-grained theories will ultimately lead to a theory of the family firm.

**Areas of Psychology Most Applicable to Family Business Research**

As noted above, psychology is a science that deals with understanding how genetic endowments and environmental circumstances influence behaviors, and the consequences of these behaviors
(Kimble, 1989). A pervasive and diverse field of study, we highlight five of the areas of psychology recognized by the American Psychological Association (APA) – social psychology, developmental psychology, cognitive psychology, industrial organizational psychology, and evolutionary psychology – that have been used in family firm studies in the past and have the greatest promise for research in the future. We discuss each area individually, although it should be apparent that they are not mutually exclusive.

**Social psychology** focuses on how people’s cognitions, emotions, and behaviors are influenced by the actual or imagined behaviors and intentions of others (Allport, 1985). By covering both intrapersonal and interpersonal phenomena, it overlaps with the other branches of psychology. For example, it overlaps with developmental psychology and cognitive psychology in terms of how the development of self-concept is influenced by others. Its coverage of group dynamics overlaps with industrial psychology although the latter has a narrower focus on the industrial setting. A review by Jiang, Kellemanns, Munyon, and Lane Morris (2018, p.129) finds that family business propositions and hypotheses based *explicitly* on the concepts and theories of social psychology “remain scant”. However, those authors stress that many family business studies fall within the scope of social psychology. They illustrate this by showing in detail how the important concept of socio-emotional wealth (SEW) may be dissected and given a more rigorous theoretical basis by using the social, motivational, cognitive, affective, and behavioral tenets of social psychology.

Broadly, in order to understand behavior within organizations, we need to appreciate the importance of human interactions along with their many influences. Anthropologists remind us that familial structures and kinship ties influenced the very origins of economic enterprise and play an important role in businesses throughout the world (Peredo, 2003; Stewart, 2003).
Indeed, most of the world’s firms are family firms (La Porta, López-de-Silanes, Shleifer & Vishny, 1999). Whereas sociology has long recognized the important role of the family in the organization of enterprises, the combination of sociological and psychological perspectives offers a useful methodological framework for studying the myriad of enterprises and organizational forms manifest in family firms. The articles in this special issue introduce and explore important topics related to the influences on human interaction and organizational outcomes in family firms and fit well within the realm of social psychology.

**Developmental psychology** is the study of why and how people grow, change, adapt or stay the same over the course of their lives. This branch of psychology spans the study of physical, social, intellectual, and emotional changes over the course of life. Influenced by modern developmental psychologists such as Levinson (1978) and Erikson (1959), family business researchers have found life cycle concepts useful for understanding family members’ evolution over life stages, intra-personal relationships over time, and how these changes affect firm behavior. Examples include research on exit styles at the end of a leaders’ career in family business (Sonnenfeld & Spence, 1989), father-son relationships over life stages (Davis and Taguiri, 1989), and changes in ownership and governance structures over generations (Gersick, Davis, McCollom-Hampton, & Lansberg, 1997).

Although interesting findings continue to be revealed by this line of inquiry (Hoy, 2006), the use of concepts from developmental psychology seems to have declined since the 1990s, perhaps because of the numerous and hard-to-predict divergence in the life paths of individuals and organizations. However, applications of developmental psychology are beginning to reemerge. The study by Erdogan, Rondi, and De Massis (2020) in this issue on understanding how long-lived family firms manage the potential conflict between tradition and innovation is a
case in point. As evidenced by recent special issues (e.g., Debicki, Kellermanns, Dawson, & Sharma, 2017; Gagné, Sharma, & De Massis, 2014; Hoon, Hack, & Kellermanns, in press), interest in developing a fine-grained behavioral theory of individuals in family firms to understand causal factors underlying observed firm level outcomes is rapidly increasing.\(^1\) Given the importance of temporal issues in family firms (Sharma, Salvato & Reay, 2014), it is important to rejuvenate this line of inquiry.

Using insights from developmental psychology, there are at least three avenues for future research. First, there is a need to reexamine the findings of the studies of the 1980s and 1990s because today the variance in family structures is markedly larger than it was two or three decades earlier (Arregle, Hitt, & Mari, 2019). Second, it would be interesting to study the effectiveness and performance of different types of family business teams (e.g., sibling, parental, spousal, kin-non-kin), at different stages of individual and organizational cycles of development. Questions of importance include: Do temporal considerations in decision making vary according to the type of team? Are teams with innovators more or less adept at managing conflicts and disagreements than teams dominated by guardians of family legacy? Are families with strong and stable values better at dealing with bifurcation bias or motivating nonfamily employees towards family firm goals than families with values that change with the times? What kinds of teams perform better within different environments – those with stable relationships and skill sets or those with evolving relationships and skill sets (Sharma, Gagné, & De Massis, 2014)?

Third, the influence of family institutions such as parenting styles and structures on self-efficacy, entrepreneurial orientation, and commitment of the next generation to their family firm has been theorized in the literature (Garcia, Sharma, De Massis, Wright, & Scholes, 2019;
McMullen & Warnick, 2015; Reay, 2019) but needs to be empirically tested. Developmental psychologists have used both lab-experiments and field studies to understand the role of parental behaviors on the social, intellectual, and emotional development of children, as well as their self-efficacy and learning behaviors over time. Family firm researchers can perhaps accelerate their quest for understanding the causes of family level outcomes by using similar techniques to design more rigorous research studies (Jiang & Munyon, 2017).

Cognitive psychology is described by the APA as the study of how information is acquired, perceived, processed, and stored in the human brain, and how the mind acts on received inputs to make decisions. The influence of cognitive psychology on family firm research is most evident through applications of the behavioral agency model (Gómez-Mejía, Cruz, Berrone, & De Castro, 2011) and mixed gambles (Gómez-Mejía et al., 2014) derivatives of prospect theory to the study of how the affective benefits of socioemotional wealth (SEW) influence family firm behaviors. Prospect theory is largely based on the work of cognitive psychologists, most notably Kahneman and Tversky (1979), who found that decision makers evaluate risky situations based on gains and losses rather than ending stocks of wealth. Drawing from this literature, Gómez-Mejía and colleagues (2011, 2014) suggested that when evaluating risky alternatives, family firm leaders not only weigh the financial gains or losses of each alternative but also the gains or losses to their SEW that come from the ownership of the business (Berrone, Cruz, & Gómez-Mejía, 2012; Debicki, Kellermanns, Chrisman, Pearson, & Spencer, 2016). SEW, in conjunction with prospect theory, provides a basis for understanding family firm behaviors in terms of issues such as procedural justice (Barnett, Long & Marler, 2012), internationalization (Arregle, Naldi, Nordqvist & Hitt, 2012), stakeholder engagement
(Cennamo, Berrone, Cruz, & Gómez-Mejía, 2012), and the bifurcated treatment of family and nonfamily employees (Verbeke & Kano, 2012).

Although notable progress has been made towards understanding the consequences of family involvement in business, additional theoretical and empirical work is needed. Cognitive psychology has rich theoretical and methodological traditions that can be used in this regard. Not only has this branch of study contributed to the understanding of human decision making, the APA has an impressive repository of over 2,000 peer reviewed psychometric measures and tests available for research. These scales and tests can be easily adopted for use in family business research. Similar to developmental psychology, cognitive psychology also relies on experimental research to understand reactions (effect) to stimuli (cause). For example, mental resonance imaging (MRI) is being used to understand the brain’s reactions to stimuli and how different brain structures can affect a person’s health, personality, or cognitive functioning. Miller, Wiklund, and Yu (2020) provide an excellent start in conceptualizing the relationships between mental health and SEW dimensions in family firms. The time seems to be ripe for scholars to become more familiar with how cognitive psychology can enhance the theories and methods used to study family firms.

**Industrial Organizational (I-O) psychology** aims to understand human behavior for the purpose of enhancing employee well-being and organizational performance. I-O psychology is a frequently used branch of psychology in management research. Topics of interest range from focuses on individual (recruitment, motivation, commitment, personality, career development etc.), intra-personal or group (emotions, team dynamics, trust, conflict etc.), and organizational levels (goals, values and culture, reputation, HR or communication systems etc.) with some

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topics, such as leadership and power, being studied at all levels and even across levels (e.g., Hitt, Beamish, Jackson, & Mathieu, 2007).

Behavioral issues are increasingly permeating family business research given the realization that the involvement of kin and non-kin in business ownership and management adds a unique dynamic that has not been addressed by mainstream organizational behavior (OB) research (Gagné, et al., 2014). For example, as noted in comprehensive reviews of the succession literature in family firms (e.g., Daspit, Holt, Chrisman, & Long, 2016), leadership transfers among kin or between kin and non-kin raise significantly different issues in terms of ground rules, successor development, and management of the transition and post-transition stages. In this issue, Bertschi-Michel, Kammerlander, and Strike (2020) address how external advisors can assist in managing emotions during the succession process. While emotions play a key role in any leadership transition, given the involvement of deep rooted and temporally expansive family relationships, the intensity of emotions is higher, and the type of intervention needed different, than transitions between non-kin as studied in the literature on upper echelons (Hambrick, Humphrey, & Gupta, 2015) and leadership (e.g., McClean, Burris, & Detert, 2013).

Another set of interesting family business research questions relate to the management and interactions between kin and non-kin employees (Verbeke & Kano, 2012), and perceptions of fairness and justice (Barnett & Kellermanns, 2006). In this issue, Ciravegna, Kano, Rattalino, and Verbeke (2020) theorize on how leaders of long-lived family firms manage these interactions. It is interesting to note that it is often not the dependent variable of interest that is markedly different but the communal context of family firms with long histories and anticipated futures that add interesting twists to research, as evident in Erdogan, et al.’s (2020) study of how long-lived Turkish craft firms manage the tradition and innovation paradox. In addition to the
above directions for future research, we encourage interested scholars to refer to the extensive lists of research opportunities provided in the editorials of special issues on behavioral influences in family firm research (Debicki, et al., 2017; Hoon, et al., in press; Sharma, et al., 2014).

*Evolutionary psychology* is a theoretical lens that informs different branches of psychology (Kruger, 2009). Considered a unifying theory of life sciences, evolutionary psychology is based on Darwin’s (1859) theories of natural and sexual selection, which shape physiological structures and psychological mechanisms (Buss, 2009). A key finding of these theories is that gene preservation drives physical adaptations and behaviors. Kruger (2009) argues that evolutionary explanations enable deeper understanding of behavior. Kurzban (2009) notes that the theory of natural selection is integrated in the training of research scientists studying 1.5 million species on Earth, except for those who study human beings, thereby leaving social scientists to explain human behavior without the tools of Darwinism. The heuristic value of evolutionary psychology relates to understanding adaptations for survival and longevity, competition and conflict, preferences based on genetic distance with kin and non-kin, and desires to preserve and support kin; all of these variables are of interest to family firm researchers.

Over the years, Nicholson (2008, 2013, 2015) has argued for the inclusion of evolutionary theory in family business research, illustrating its applicability in better understanding genetic factors that drive behaviors such as altruism, nepotism, sibling relations, and family conflicts over firm assets. In this issue, Yu, et al., (2020) provide a much-needed boost to this perspective with an empirical study of kin and non-kin CEO appointments and compensation under varied levels of firm performance and family control. As involvement of family in business is the core feature distinguishing family from non-family firms (Chua, et al.,
integration of evolutionary psychology into family business research has the potential to
enrich the development of a theory of the family firm.

**Articles in this Issue: Psychological Perspectives of Family Firms**

Below, we introduce the five articles in this issue, highlighting how each uses psychological
perspectives to understand behaviors in family firms. Two articles use multiple case studies: the
first examines eight Turkish crafting family firms (Erdogan, et al., 2020), and the second
examines five Swiss companies (Bertschi-Michel, et al., 2020). A third article is based on a study
of publicly listed Chinese small and medium-size first generation firms (Yu, et al., 2020). The
remaining two articles are conceptual in nature (Ciravegna, et al., 2020; Miller et al., 2020). As
usual, each article benefited from feedback during the conference and then survived a double-
blind review process. Similar to the procedures followed for the 2011 conference (see Chrisman,
Sharma, Steier, & Chua, 2013), some participants were invited and the remainder were selected
according to a preliminary review and ranking of competitive papers submitted to the Family
Enterprise Research Conference (FERC) in 2018.

**Imprinting and Behavior**

Building on imprinting theory, Erdogan et al. (2020) investigate how family firms
manage the paradoxical relationship between tradition and innovation. They study a sample of
eight Turkish craft businesses that are over 80-years old and in the second to sixth generation of
family ownership. Using a multi-stage data analysis process based on primary and secondary
data, they find that the family firms in their sample use four distinct strategies to perpetuate
tradition while innovating, which they label *temporal symbiosis*. The authors suggest that as
family firms move from one generation to another, a natural tension occurs with regard to
preserving traditions and innovating to meet the evolving needs of the marketplace. Traditions
become, to a greater or lesser degree, imprinted on a firm (cf., Stinchcombe, 1965) and are transmitted from one generation of leaders to another. Much like genetic inheritances, traditions can become deeply rooted in the psyche of a family’s dominant coalition. Similarly, the nature and endurance of these traditions is influenced by environmental factors, which can lead to change. The nature of these traditions and the family firm leaders’ interpretation of the environmental influences consequently affects the behaviors of a family firm with regard to innovation and how innovation is juxtaposed with desires to preserve the institutions on which the firm was founded.

Erdogan et al. (2020) identify two dimensions and four strategies for temporal symbiosis. With regard to tradition, family firms can attempt to preserve it or revive it. With regard to innovation, they can either segregate new products from old products or they can integrate the new with the old. The authors identify instances where each combination is tried labeling these as: protecting the heritage (preserving tradition by segregating classic products and innovative new products); maintaining the essence (preserving tradition by integrating it into new products, thereby linking the new with the old); restoring the legacy (using the revival of traditional products as a basis for the development of new products that integrate old and new concepts); enhancing nostalgia (reviving traditional products in parallel to, but segregated from new products). It is interesting that firms that foster tradition through tangible artifacts prefer the segregation approach to managing temporal symbiosis, whereas those that use intangible means such as processes or stories to persevere their legacy prefer the integration approach.

The study of Erdogan et al. (2020) recalls Reay’s (2019) suggestion that families may engage the next generation by educating and involving them in the development and modification of family routines. It appears that the approaches used to balance tradition and
innovation may achieve similar ends. As processes are developed and structures are imprinted over generations of family ownership, it seems prudent to treat tradition and innovation as strategic tools to be managed rather than as mutually exclusive strategic choices. This approach is also likely to be effective in reconciling generational perspectives in a way that satisfactorily achieves economic and noneconomic objectives. Future work along these lines, as well as investigating the extent to which family firms in different environmental and family contexts follow the practices outlined by Erdogan et al. would be useful, as would work on the performance consequences from the pursuit of each strategy.

**Mental Health in Family Firms**

Mental disorders (MD) have become among the most common types of health problems in the world. In response, Miller et al.’s (2020) conceptual article focuses on MD in family firms because of their potential prevalence and because of the close interface between a family and firm, which can make such problems easier or more difficult to overcome. To develop their arguments, the authors briefly discuss neurodevelopment disorders such as attention deficit hyperactivity disorder (ADHD), autism, and dyslexia, and psychiatric disorders such as depression and anxiety. Since MD can be caused or aggravated by stress, they apply the double ABCX model of McCubbin and Patterson (1983) to the family firm situation. The ABCX model discusses how a family’s adaptation to stress, such as that occurring when one or more family members suffers from MD, depends on the severity of the stressor, the ability and willingness to cope, and the orientation of the family to the situation. The bulk of this article attempts to outline how the pursuit of SEW can influence the severity of MD as well as the capacity to manage MD in family firms. Using the FIBER model (Berrone, et al., 2012), they propose that family control, identification, emotional attachment, social ties, and intentions for intra-family
succession can make MDs either better or worse depending on the aggravating and coping factors present, as well as moderators such as the size of the firm, the severity and type of MD, the power position(s) of the person(s) with the disorder, and the structure of the family (e.g., generational involvement, blood ties).

The article by Miller et al. (2020) opens up a range of promising avenues for future research. Besides the many opportunities they identify there are other important possibilities. For example, many of the problems family firms face are encapsulated in social relationships among family members (e.g., incumbents and successors; different family branches; family members involved or not involved in the firm) or between family members and nonfamily members (cf., Zellweger et al., 2019), particularly the bifurcation bias that occurs when family owner-managers engage in nepotistic or altruistic behaviors toward family members that come at the real or perceived expense of nonfamily members (Verbeke & Kano, 2012). It seems entirely possible that these conflicts may often be rooted in MD of focal individuals as their cognitions and heuristics are likely to be affected by the illness. Recognition of this possibility might influence the way the problem is viewed, studied, and resolved. Put differently, when MD is involved, conflicts may take on entirely different forms, have entirely different consequences, and call for entirely different organizational responses. Likewise, while Miller et al. rightly focus on MD among family members in family firms, the majority of the members of many family firms are from outside the family. Thus, research on how MD in the family affects the ability and willingness of nonfamily managers and employees to do their jobs is also an important topic for future research. Finally, although Miller et al. concentrate on how SEW affects the severity and ability to cope with MD in a family firm, those aspects of MD might also be treated as independent variables to investigate how they influence the level and preservation of SEW in a
family firm, as well as other important cognitive factors that research has shown to be important in family business studies such as bounds to rationality and reliability (Kotlar & Sieger, 2019), and propensity toward loss aversion (Lude & Prügl, 2019).

Alleviating Emotions in Succession

Bertschi-Michel, Kammerlander, and Strike (2020) deal with the role of advisors in unearthing and alleviating the emotions of incumbent leaders and potential successors during the succession process. The authors suggest that emotions such as fear, sadness, and anger can be major obstacles to a satisfactory succession process. They studied the techniques used by one advisor who worked with five family firms over a four-year period to combat these negative emotions and turn them into positive emotions such as happiness, contentedness, and hopefulness. Bertschi-Michel et al. supplement their qualitative research with secondary data as well as follow-up interviews with 15 other family business advisors. They find that contrary to the suppositions of prior literature (Coté, 2005), suppression of emotions is only one way to conquer the problems associated with succession and perhaps might not always be the best way. Their research suggests that bringing out, confronting, and even amplifying the emotions during the initializing, planning, implementing, and coaching phases of an advisor’s interventions in the succession process may lead to successful alleviation of emotions and greater satisfaction with the succession process for the participants.

The article by Bertschi-Michel et al. (2020) opens several avenues for future research. First, different advisors apparently use different techniques (e.g., naming emotions, story-telling, and involving spouses, clinical psychologists, or assessment centers). This raises the questions of how much the utility of a given technique depends on the personality, training, and experience of the advisor, the nature of the family or its individual members, as well as whether different
techniques can be used effectively in combination. Second, Bertschi-Michel et al.’s study appears to deal with situations that involve the interaction of one incumbent leader and one potential successor. A question then becomes how effective unearthing and alleviating methods will be when there is more than one successor and/or owner, as would be the case in multi-family or extended-family controlled firms? Third, the authors focus on succession but there are other sensitive issues that come into play in family firms, such as when there is a transition to professional management, when it is necessary to reprimand or even remove an unproductive family member from the firm, and when it is time to decide if the best course of action is to sell the family firm to an outside party. Understanding how advisors and family leaders should handle the emotions inherent in those situations could be useful and demands future research attention, particularly given the increasing demand for family firm advising.

**Behavioral Biases and Longevity**

Ciravegna et al. (2020) integrate insights from the bifurcation bias concept of transaction cost theory (Verbeke & Kano, 2012) and the concept of corporate diplomacy (Steger, 2003) to explore why most family businesses fail or sell-out within a few generations while some experience exceptional longevity, which they refer to as the family firm longevity paradox. These authors argue that a reason most family firms do not survive either as firms or as family firms is bifurcation bias, a behavior that involves the disparate treatment of family and nonfamily members of the firm, which can cause extreme bounded rationality and bounded reliability problems that seem at least partially psychological in nature. Ciravegna et al. suggest that efforts to eliminate bifurcation bias, and to extend the family’s advantages in developing and utilizing social capital through corporate diplomacy, are largely responsible for family firm longevity.
Ciravegna et al. (2020) suggest that social capital develops through governance practices that family firms use to align interests among stakeholders within and without the firm. The authors define governance practices as managerial routines that deal with firm boundaries, interactions with external stakeholders, and organizational design. They thus argue that longevity is rooted in the family’s ability to deal with the micro processes (strengthening and extending bonding social capital), macro processes (increasing and extending bridging social capital), and transgenerational processes (transferring social capital across generations) associated with governing the firm. Corporate diplomacy, the behavioral processes involving reciprocal familiarization, acceptance, and engagement between family and nonfamily stakeholders is a tool to realize those ends by creating perceptions that the family firm is a value-creating partner.

From our vantage point, a primary contribution of Ciravegna et al.’s (2020) work is to delve more deeply into the processes by which social capital is developed and utilized in family firms to achieve longevity. Prior work, with few exceptions (e.g., Arregle, Hitt, Sirmon, & Very, 2007), stop short of a detailed description of how social capital might be developed and do not attempt to apply the concept as a governance practice for achieving longevity. In addition, Ciravegna et al. make it clear that the key advantages family firms have in generating and deploying social capital are the strength of family ties, the stability of a firm with family involvement from the perspectives of potential trading partners, and the ability of the family to transfer their bonding and bridging social capital to subsequent generations.

However, since social ties are heterogeneous and network strategies must take this heterogeneity into account (Hsueh & Gomez-Solorzano, 2019), research is needed to determine the behavioral patterns related to the manner in which bifurcation bias is overcome and corporate diplomacy practices are instituted and maintained over time. Although the number of long-lived
family firms is very small, there is still ample opportunity for studying the performance and survival propensities of firms (using for example, Altman’s Z scores, 1968; measures of transgenerational succession intentions, etc.) who have begun to move down one or more paths similar to what Ciravegna et al. advocate. For example, the Mittelstand firms in Germany seem to possess some of the attributes mentioned by the authors (De Massis, Audretsch, Uhlaner, & Kammerlander, 2018). Furthermore, there may be other patterns of longevity that future studies could identify. For example, among family firms in economies that are still developing and/or have ill-defined property rights regimes, bifurcation bias may be a necessary evil rather than a critical weakness (cf., Chua, Chrisman, & Bergiel, 2009; Ilias, 2006). In those contexts, corporate diplomacy may take on very different meanings from what it does in developed economies and in those with well-defined property rights. Finally, since bifurcation bias and corporate diplomacy are both grounded in behaviors, research from a psychological standpoint on how family upbringing and firm development influence those behaviors might be revealing.

**Kinship and Evolutionary Psychology**

Yu et al. (2020) use evolutionary psychology and the SEW concept to develop and test theory concerning the extent to which the closeness of kin in a family firm influences who will be appointed CEO and how much nonfamily executives will be paid. Evolutionary psychology, based on Darwin’s theory of natural selection (1859), studies how motivations to ensure that genes are passed on to the next generation influence individuals’ behaviors (Axelrod & Hamilton, 1981). In a family firm context, this may involve helping and supporting kin, even to the point of nepotistic and altruistic behavior. Since the strength of such behaviors depends upon the closeness of family relationships among individuals, Yu et al. argue that when the dominant family coalition is composed of close kin (parents, siblings, children), it is more likely to appoint
a family member to be the CEO of the family firm than if it is composed of distant kin (grandparents, uncles/aunts, cousins, in-laws). Furthermore, to be able to recruit capable managers and align their interests with those of the family, the authors hypothesize that a firm with a dominant family coalition composed of close kin will pay nonfamily executives higher salaries than a firm with distant kin in control. Yu et al. also identify two important moderators, firm performance and family ownership. They suggest that when either firm performance or family ownership is low, the expected impact of kinship ties on both the type of CEO appointed and the compensation of nonfamily executives will be stronger. Using panel data from 421 first generation firms listed on the China’s Small and Medium Enterprise Board from 2004 to 2013, Yu et al. (2020) find support for all of their hypotheses.

One of their most interesting findings is that family firms composed of close or distant kin appear to be willing to temper their natural inclinations regarding CEO appointments and nonfamily executive compensation when performance is good or ownership is high. For example, close (distant) kin family firms are less (more) concerned with family control of management when performance or ownership control is high. Both findings suggest that SEW has a price (Zellweger, Kellermanns, Chrisman, & Chua, 2012). Close kin families appear willing to “spend” some of their SEW endowment when performance or ownership control is high, whereas distant kin families are willing to invest some of their financial windfall to obtain more SEW when they think they can afford it, or are willing to use their ownership control for the same purpose when they believe they have enough control to prevent a family CEO from hurting the company.

Thus, from an evolutionary psychology perspective, family firms may be seen to be composed of two forces that at times may be reinforcing and at other times may come into
conflict: altruism and self-preservation (Simon, 1993). Both, in their proper amounts, are needed to ensure the continuance of the firm as a family firm, but too little or too much may be problematic (Lubatkin, Durand, & Ling, 2007; Schulze, Lubatkin, Dino, & Buchholtz, 2001). From a broader perspective, the study of Yu et al. (2020) serves as a reminder that family firms need and want to make money and SEW needs to be considered as an outcome as well as a goal.

**Conclusions**

In the last decade, family business research has evolved along three discernible tracks. First, there has been a move away from binomial descriptive and comparative studies that focus on differences between the “average” family firm and the “average” non-family firm, towards studies that focus on how and why these firms are distinctive (Payne, 2018), and the variations rather than the similarities among family firms (Chua, Chrisman, Steier, & Rau, 2012). Second, there has been a recognition that financial performance is not the only motivation of family firm behavior; researchers now better understand the importance of both financial and nonfinancial goals and performance to family firms (Gómez-Mejía, et al., 2011). Third, researchers have been expanding their scope of inquiry to consider business families and groups, thereby necessitating multi-level theorizing and attention towards family and individual level variables as causal factors to explain (and predict) firm level behaviors. Papers in this special issue represent this third dimension as psychological influences underpinning family firm behaviors and outcomes are studied.

In this article we suggest that five areas of psychology – social, developmental, cognitive, industrial organizational, and evolutionary psychology – appear particularly promising as sources of inspiration for family business researchers. Yet, care is needed because new ways of theorizing will be necessary to ensure that psychological theories and methods are appropriately
modified and expanded to explain the behaviors and relationships among individuals, families, and family firms.

In their papers each team of authors has suggested multiple avenues for future research. We have tried to bolster and extend these possibilities in throughout this article and will thus not repeat those possibilities here. However, we do want to point out that the stakeholders considered in family business research have expanded over the years to include a more diverse set of within family and non-family categories. For example, Bertschi-Michel, et al. (2020) focus on the role of external advisors during the succession process; Miller, et al., (2020) highlight family members with a mental disorder; and Yu, et al. (2020) use genetic distance to differentiate family members of different levels of genetic closeness. Likewise, the work of Erdogan et al. (2020) and Ciravegna et al. (2020) reminds us of the importance of understanding the legacies of family ancestors both in terms of traditions and in terms of the relationships and social capital they developed within and without the family firm over time (cf., Hammond, Pearson, & Holt, 2016). It is encouraging that more attention is being given to previously understudied stakeholders since their impact on family firm behaviors and performance can be profound.

There are other stakeholders, however, that have yet to be the subject of attention. An example is powerful family members who are not formally involved in the ownership, management or governance of the business enterprise, and yet have a significant influence on goals pursued, resources deployed, and next generation capabilities development. Efforts to understand how and why such latent stakeholders influence family business should be an interesting and worthy line of research. Furthermore, the sweeping demographic changes and societal expectations to enhance communities and the natural environment (Sharma & Sharma, 2019) are likely to alter how family firms behave and perform.
In closing, family firms present unique organizational settings that may nurture or engender certain traits and behaviors. Family firms can be incubators of leadership or nursemaids to spoiled and overly dependent "trust fund" babies. As the study of psychology suggests, the behaviors of family firms are affected by both the imprinting of the family and firm and environmental pressures for conformity and change. Given the complexity of dealing with these forces, researchers need a basis to guide and inform their work in a direction that builds an integrated body of knowledge. Put differently, although the field has advanced, it has a long way to go. We need, more than ever, a theory of the family firm (Chua et al., 1999, 2003).
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