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Exploring Emotion Challenges in Family Businesses: Adaptation or Mastery with Green Innovativeness? A Resource-Based View Perspective

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This conceptual paper identifies the uniqueness of family businesses lies in their emphasis on socioemotional wealth (SEW), which sets them apart from non-family businesses. However, this unique focus can sometimes hinder the performance of family businesses because it may lead to decisions driven more by emotions than economic considerations. These emotionally-driven characteristics can have both positive and negative effects on performance. Based on the Resource-Based View (RBV) theory, this research investigates the importance of certain attributes of family businesses, specifically 'family prominence, family enrichment, and family continuity,' which are components of SEW. We consider these attributes as organizational resources and examine how they influence performance with green innovativeness affects and developed some propositions. Our conceptualization, supported by the related literature, indicated that not all of these resources may have a positive impact on the performance of family businesses. Interestingly, green innovativeness plays a crucial role as a mediator in the relationships between these resources and performance outcomes. This study contributes to the field theoretically by recognizing SEW as a resource for family businesses using the RBV framework to assess the impact of SEW on family business's performance and exploring the mediating role of green innovativeness.

Keywords: Family Business, Social Capital Resources, Family Prominence, Family Enrichment and Family Continuity, RBV, Green Innovativeness

Introduction

Family businesses (FBs) have garnered attention for their remarkable performance, especially in challenging economic times, demonstrating strengths in areas like product and service quality, innovation, and financial success (Bushe Bernard, 2019; Miller et al., 2003; Smith et al., 2023). However, they have faced criticism for sometimes prioritizing emotional

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factors over financial gains in their decision-making processes, as outlined in the concept of socioemotional wealth (SEW). In the corporate world, this aspect might not significantly impact their performance because of strict regulatory controls, such as the appointment of independent directors, regular financial statement disclosures, the involvement of independent auditors, and critical evaluations of business decisions by investors. However, smaller family firms do not face the same extensive regulatory requirements. This flexibility allows them to place emotions ahead of financial considerations, potentially making them more vulnerable to risks and the possibility of failure.

In the early growth phase of family-owned businesses (referred to as FBs), challenges arise as family members become more involved in various business activities and decision-making processes. This shift often prioritizes emotional factors over purely economic objectives (Gomez-Mejia et al., 2011; Zona et al., 2023). This tendency is largely attributed to increased family involvement and can be exacerbated when there are insufficient regulatory mechanisms and transparent practices in place. These emotional connections are not easily dissolved, leaving FBs with the responsibility of either accommodating these emotions or effectively managing them.

Previous academic research has primarily focused on identifying specific emotional characteristics within family businesses, particularly within the context of socioemotional wealth (SEW), as discussed in earlier studies (Berrone et al., 2012; Gómez-Mejía et al., 2007; Rhee et al., 2010). However, there is a noticeable gap in our understanding of how these emotional aspects impact the performance of these firms. Our contribution to this academic discourse revolves around our perspective on socioemotional wealth (SEW) as a valuable resource with potentially significant implications for the performance of family-owned businesses. To delve deeper into this viewpoint, we have employed the resource-based theory (RBV) to assess the nature of these emotional resources within family firms. The Resource-Based View (RBV) theory suggests that resources can give companies a competitive advantage (Barney, 1991; Wernerfelt, 1984). This means that having these resources should improve a company's performance because resources are obtained based on their perceived value which raises the question of whether the emotional characteristics present in family businesses can be considered valuable resources.

In academia, researchers have categorized various intangible assets, including research and development (Dierickx & Cool, 1989), efficient operational processes (Wernerfelt, 1984), the importance of organizational culture (Barney, 1986), market knowledge (Nonaka & Takeuchi, 1995), organizational heritage (Collis, 1994), and geographical location (Stearns et al., 1995). In the field of family business research, a subset of these intangible assets has been specifically identified and labeled as firm-specific resources (Habbershon & Williams, 1999). Additionally, it's important to note that other intangible resources can be recognized as social capital resources, some of which are particularly relevant to family enterprises. One noteworthy example is the concept of socioemotional wealth (SEW), which includes various dimensions such as family prominence, family enrichment, and family continuity (Rhee et al., 2010). The

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heart of the matter revolves around recognizing how essential intangible resources are within family firms (Barney, 1991). In this context, understanding the complexities of managing, leveraging, bundling (Sirmon et al., 2007), and seamlessly integrating these resources (Hussain, 2017) becomes of utmost importance. This comprehension is vital for long-term performance and for avoiding emotionally driven decisions, especially when dealing with compliance requirements. It's well-documented that emotional involvement in business operations can potentially harm family businesses (FBs), particularly in smaller FBs where responsibilities and decision-making authority are often unclear (Gómez-Mejía et al., 2007). Effectively configuring these resources, however, can amplify their positive impact while reducing adverse effects on FBs' performance. Furthermore, the aspects of family prominence, family enrichment, and family continuity go beyond the tangible aspects and include intangible facets that meet the criteria of being unique, socially intricate, and difficult to imitate. Due to their distinct nature, these resources cannot be easily replicated, making them a source of competitive advantage when expertly utilized to enhance performance. Therefore, it's crucial to explore the impact of such resources on family businesses.

Another critical factor influencing the success of family businesses is their ability to innovate, a fundamental element that significantly affects business performance (Hurley & Hult, 1998; Porter, 1996; Schumpeter & Nichol, 1934) while green innovativeness allows family businesses to address prevailing business challenges, laying a strong foundation for sustained viability and prosperity being environment friendly. The study presented herein endeavors to explore the role of green innovativeness as a mediator in the context of family firms by printing a positive image on stakeholders. In recent years, there has been a growing recognition of the critical importance of environmental sustainability and corporate responsibility within the business landscape (Egri & Herman, 2000; Sharma & Vredenburg, 1998). By advancing our understanding of green innovativeness as a mediator within family firms, this study contributes to both the family business literature and the broader fields of green innovativeness and sustainability. It offers practical implications for family firm owners, managers, and policymakers by elucidating how specific family firm attributes can be harnessed to foster environmentally sustainable green innovativeness, ultimately enhancing both the ecological and financial sustainability of these businesses.

Concurrently, family firms, as a distinctive subset of businesses, have garnered attention for their unique characteristics, including a focus on long-term perspectives, strong social ties, and a sense of legacy (De Massis et al., 2018; Sirmon et al., 2007). This is particularly crucial in situations where resources are limited, as green innovativeness becomes a vital factor in gaining a competitive edge and by fostering green innovativeness in family businesses, enabling them to overcome resource constraints.

To tackle this challenge, it is vital to promote green innovativeness within the company's operations. It's essential to understand that making business decisions based solely on emotions can hinder green innovativeness and, consequently, affect the company's capacity to build up resources and compete effectively in the market (Vardaman et al., 2014). Despite their

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significance, the unique resource reserves that family-owned businesses possess have not received thorough examination in existing research. Hence, there is a clear need for further investigation to address this knowledge gap. This study seeks to shed light on how green green innovativeness can help reduce the high failure rates often seen in small family businesses. In particular, it investigates the role of family-related resources like family prominence, family enrichment, and family continuity.

Progressing From "Emotions to Resources"

In the context of improving the performance of family-owned businesses, it is crucial to consider three key factors: family prominence, family enrichment, and family continuity. These factors are akin to valuable assets for the organization. They prompt important questions, similar to those raised by Habbershon and Williams (1999). These questions revolve around whether these factors can be categorized as resources, the situations in which they add value, and how they contribute to the firm's abilities and outcomes.

Our study systematically addresses these questions, explaining how these particular factors impact the performance of family-owned businesses. In the broader context of business resources, which can include things like location, access to capital, skills, and organizational culture, as discussed in the literature (Habbershon & Williams, 1999), we classify family prominence, family enrichment, and family continuity as intangible resources falling under the category of 'social capital.' This categorization is based on their significant role in shaping the family's reputation within the community.

We delve into the specific strategies used to leverage these resources and emphasize the importance of establishing clear metrics to assess the resulting performance improvements. It's important to note that a resource's true value is only realized when its potential to enhance value is fully understood. We conceptualize such family business attributes as firms' resources so that it can be empirically assessed at a later stage how these resources impact the performance of family-owned businesses.

Literature Review

The construct of socioemotional wealth (SEW) encapsulates immaterial privileges and non-monetary benefits that accrue to family businesses due to their ownership of specific businesses. Extensive scholarly investigation (Berrone et al., 2012; Gomez-Mejia et al., 2010, 2011; Gómez-Mejía et al., 2007), delineates SEW as the affective and emotional endowment intrinsic to family ownership. Within the milieu of family-owned businesses, the explication of SEW (Schulze & Kellermanns, 2015), evinces a robust intertwinement with the proportion of ancestral ownership.

A foray into this trajectory was embarked on by Berrone et al., (2012), who introduced the conceptual framework of the FIBER model, delineating SEW as a multi-dimensional construct comprising diverse advantages accessible to proprietors of family businesses. Within the paradigm of the FIBER model, five distinct dimensions of SEW were discerned, to wit: (a) Ascendancy and influence of the family; (b) Affiliation of family members with the enterprise;

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(c) Cultivation of social bonds; (d) Emotional affinity; and (e) Restoration of family ties throughout successional phases. Despite these noteworthy contributions, a comprehensive scrutiny of the discrete facets of Socioemotional Wealth (SEW) and their corresponding ramifications on organizational performance remains an avenue yet to be explored. In this vein, an updated metric for SEW was formulated, comprising three discrete dimensions: (a) Family eminence, encompassing the establishment and perpetuation of the family's repute within the societal milieu. This aspect aligns with the notion of "enterprise's identification and social bonds." (b) Continuity of family legacy, characterized by the enduring and persistent involvement of the family, underscores the process by which a family heritage takes form through entrepreneurial pursuits, subsequently emerging as a cohesive force for the family entity. This dimension was attributed to the "renewal of family bonds" and "ascendancy and influence of the family" (Berrone et al., 2012). Lastly, (c) Enrichment of the family pertains to the capacity of decision-makers in family businesses to harmonize commercial operations with the fulfillment of broader family responsibilities. The specific roles played by these aforementioned dimensions of Socioemotional Wealth (SEW) and their ensuing ramifications on organizational performance remain subjects demanding comprehensive examination.

The current inquiry aspires to explore the impact of SEW as a resource, encompassing its constituent dimensions—family eminence, family enrichment, and family continuity —on organizational performance. For example, the prominence of the family might confer advantages upon the enterprise by facilitating the establishment of fresh business liaisons, thereby fostering a positive influence on organizational performance. Conversely, the reinforcement of family continuity and enrichment could engender situations wherein inadequately qualified family members assume pivotal roles, potentially exerting an adverse effect on organizational performance. Hence, it is plausible that individual facets of the SEW as a family business's resource may elicit both favorable and unfavorable outcomes vis-à-vis organizational performance.

Up to the present juncture, the dialogue has amalgamated around the identification and quantification of specific attributes pertinent to family businesses within the domain of socioemotional wealth (Gomez-Mejia et al., 2007; Berrone et al., 2012; Rhee et al., 2016). Our distinctive contribution rests upon elevating the socioemotional wealth discourse to a heightened level, designating these attributes as family businesses' resources for the explicit purpose of assessing their ramifications on their performance, given their pivotal role as indispensable resources. Conversely, these resources, when viewed through the lens of family businesses, epitomize socioemotional wealth, a force whose sway often confronts decision-makers with a nuanced dilemma that compels the delicate equilibrium between economic gains derived from these exclusive resources and the preservation of precious family values and non-monetary preferences (Gomez-Mejia et al., 2011; Zona et al., 2023). Amidst such complex scenarios, the challenging influence of the family nexus significantly molds the competitive trajectory charted by family businesses. In short, this paper suggests measuring the impact of such social capital resources on the family businesses which may influence their performance positively or negatively.

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Family Prominence as a Family Business's Resource

The concept of family prominence assumes a pivotal role as a determinant influencing the performance of family businesses. This construct encapsulates the discernibility, authority, and prestige commanded by the family entity both within the corporate structure and the broader societal milieu (Rhee et al., 2010). Eliciting substantial scholarly attention, this phenomenon has been investigated extensively to unravel its multifarious implications for diverse dimensions of family business performance. The phenomenon of family prominence stands intrinsically interlinked with business reputation and social capital, exerting a sanguine impact on the operational efficacy of family businesses. Its criticality is underscored by the cognizance of family leaders who acknowledge the substantive potential of these filial bonds to profoundly amplify the effectiveness of their entrepreneurial undertakings (Arregle et al., 2007; Chrisman et al., 2011; Sirmon & Hitt, 2003).

Indeed, the prominence commanded by the family cohort assumes the mantle of a pivotal determinant intimately intertwined with the performance trajectory of family businesses. Its influence is underscored by the bequest of elevated corporate standing, an augmented reservoir of social capital, and an expanded arena of business prospects. Notably, these affiliative family connections may serve as catalysts for soliciting novel clientele, with potential business associates displaying a penchant for aligning with the family enterprise owing to its established repute. Such symbiotic alliances facilitate the cultivation of innovative business liaisons, thus attesting to the dependability of the entrepreneurial lineage at the helm. Emanating from this perspective, it becomes incumbent upon these family units to adroitly harness their reservoir of family social capital for commercial purposes, thereby effectuating a reciprocal enhancement of the family social capital through the conduit of corporate affiliations.

> ***Proposition 1****: The more the family is prominent in the business community, the more chances are to get more business to enhance their performance.*

Family Enrichment as a Family Business's Resource

The concept of family enrichment serves as a pivotal facet within the domain of Socioemotional Wealth (SEW), underscored by its profound significance in the aspiration to fulfill a broader spectrum of commitments to family constituents (Rhee et al., 2010). Beyond its role in fostering harmony among family members, family enrichment embodies an altruistic dedication to the well-being of the family on a grander scale, transcending mere involvement in entrepreneurial endeavors. This dimension diverges from the notion of family continuity, as its nucleus lies in the deliberative course of action, ensuring immediate contentment and gratification for the family, thus nurturing concord and enhancing the family's overall welfare. It not only generates but also amplifies the felicity and prosperity of family members, extending its effects even to those who remain passive in the realm of business operations. Consequently, this dynamic becomes the impetus driving the cultivation of harmony and contentment among family members, although concurrently mandating certain trade-offs concerning pecuniary gains for the enterprise (Gómez-Mejía et al., 2007). Family enrichment, perceived as a wellspring of social

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capital, exhibits a negative association with the performance of family-owned businesses. In essence, the proposition reflects the notion that an excessive focus on family enrichment, while fostering social interconnectedness, may inadvertently hamper the performance outcomes of such businesses.

> ***Proposition 2:*** *The more the family enrichment is encouraged in family business the more the chances are to perform poorly.*

Family Continuity as a Family Business's Resource

In the arena of scholarly exploration into family businesses, the phenomenon of family continuity takes center stage, denoting the seamless transfer of ownership and managerial prerogatives across successive generations within family businesses. This domain has elicited considerable scholarly intrigue (Rhee et al., 2010). The comprehension of the implications of family continuity for business performance assumes paramount significance, as it unveils the idiosyncratic dynamics and challenges confronting family-run businesses. A multitude of inquiries have delved into scrutinizing the correlation between family continuity and the performance trajectories of family-owned businesses (Chua et al., 1999).

It is imperative to acknowledge, however, that family continuity can engender challenges that cast a shadow on businesses' performance (Sharma & Nordqvist, 2008). Especially during transitional phases between generations, the emergence of conflicts among family members has the potential to exert a deleterious influence on decision-making mechanisms, thereby impeding strategic flexibility (Handler, 1990). Furthermore, an inclination towards resisting change and espousing a conservative approach to decision-making, driven by a desire to preserve cherished family customs, may stifle innovative pursuits and consequently undermine the overall performance of the businesses (Gómez-Mejía et al., 2007). Family continuity, regarded as a reservoir of social capital, demonstrates a negative correlation with the performance outcomes of family-owned businesses. In essence, the proposition reflects the contention that an unwavering emphasis on preserving family continuity, while upholding family traditions and legacies, might inadvertently impede the strategic dynamism required for bolstering business performance.

> ***Proposition 3:*** *The more the family continuity is encouraged in family business the more the chances are to perform poorly.*

Green innovativeness as Mediator

The concept of green innovativeness in organizations involves a dynamic and experimental approach to how they operate. It results in the development and introduction of new and groundbreaking products or services achieved through dedicated research and development efforts (Rauch et al., 2009). This approach acts as a catalyst for changing established practices while fostering the generation of new ideas (Grande Ernesto et al., 2011; Lumpkin & Dess, 2001). This perspective can be traced back to the work of Schumpeter (1934), a prominent figure who emphasized the critical role of green innovativeness and explained the idea of "creative destruction," which is central to the green innovativeness. This process involves creating new business ventures by utilizing resources from existing companies (Lumpkin &

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Dess, 1996). Nevertheless, while there is substantial research on the nexus between green innovativeness and firm performance (Hitt et al., 2011; Tidd et al., 2005), the specific role of green innovativeness within the context of family firms remains relatively unexplored. The study adopts a comprehensive approach that integrates insights from the family firm literature, innovation literature, and environmental sustainability literature. It posits that family firm characteristics, such as a strong sense of stewardship and long-term orientation, may shape the firm's inclination to engage in green innovativeness. Furthermore, this study asserts that green innovativeness, as a mediator, may positively affect firm performance by enhancing competitiveness, improving reputation, and reducing environmental risks (Porter & van der Linde, 1995; Zhu & Sarkis, 2004).

Nestled within family-run businesses, Socioemotional Wealth (SEW) is a unique and vital resource. This study explores three key aspects of SEW: family prominence, family enrichment, and family continuity. The latter two, family enrichment and family continuity, involve active family involvement in business activities, while family prominence focuses on the family's respected reputation in the community. Since green innovativeness is fundamentally influenced by behavior (Rhee et al., 2010), it stands to reason that family continuity and enrichment directly impact the level of green innovativeness in family-owned firms. In this context, one might argue that family businesses that prioritize and nurture family continuity and enrichment may show a reduced inclination to adopt green innovativeness in their operations and offerings. On the other hand, family prominence, which reflects the esteemed status of the family in the community, encourages family firms to embrace green innovativeness as a strategic approach to strengthen and enhance their reputation (Rhee et al., 2010).

Proposition 4: *The more the green innovative the family businesses are, the more chances are to get more business to enhance their performance.*

Conclusion

Considerable discourse has been dedicated to the subject of Socioemotional Wealth (SEW); however, this present paper makes a distinctive contribution to the existing body of literature by elucidating the role of SEW as an integral facet within the domain of family business resources. The compendium of enumerated social capital resources, namely family prominence, family continuity, and family enrichment, emerges as obligatory constituents within the framework of family businesses. These constituents evolve concomitantly with organizational maturation and wield the potential to exert constructive or adverse influences upon green innovativeness. It behooves decision-makers to exercise meticulous attention in their deliberations involving these components, cognizant of their substantial economic implications.

The confluence of concerns occasionally arises due to the prioritization of family cohesion over economically motivated determinations. Yet, this quandary can be mitigated through informed discernment on the part of decision-makers. By proactively acknowledging the economic detriments that can be entailed by sentimental resolutions, prudent measures can be enacted to counterbalance their effects. Given the indivisible amalgamation of these resources

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with the reservoir of corporate assets, businesses must acclimatize themselves to coexist alongside them.

Two prospective strategies merit consideration in addressing this conundrum. Primarily, family affiliations could be factored into resolutions that bear minimal or negligible economic repercussions. This strategic partitioning would ostensibly insulate the growth trajectory of family businesses from undue influences. Alternatively, a remedy could be found in the assimilation of the business's social capital resources into the extant reservoir of assets, undertaken with discernment akin to the precepts (Hussain, 2017) during resource acquisition.

Future Directions

In charting the course for forthcoming investigations, this study proffers certain nascent avenues warranting empirical validation of the conceptual framework to fortify the dependability of outcomes. Considerably underexplored are resources that are organically cultivated and progressively metamorphose into quintessential constituents of enterprise functioning. This terrain offers substantial promise for further scholarly inquiry. While this study discerns specific family attributes as the bedrock of the businesses's social capital resources, the prospect exists for additional attributes, exclusively tailored for family businesses, to emerge. An illustration of this might encompass the family's disposition towards risk-taking as a discernible resource, or the family's inclination toward technological acumen.

Terminology

A few ideas are discussed here from the “strategy” and “family businesses” fields and a few of them are newly introduced, it would be better to define them first.

Family Business is when two or more family members are actively (full-time) involved in business activities (Barnes & Hershon, 1994).

Family Prominence discusses how the owners of the business family are recognized by society due to their business activities.

Family Continuity represents the importance to family decision-makers in the way they preserve the control and involvement of the family members in business activities.

Family Enrichment indicates the significance of the aspiration to meet the broader range of commitments toward family members.

Green Innovativeness refers to the capacity and willingness of family businesses to develop and implement environmentally friendly and sustainable innovation in their behaviour and practices.

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