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The role of cognitive appraisal and emotions of family members in the family business system

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ABSTRACT

Emotions are valenced and specific affective reactions to the perception of situations, events, objects, or people. They influence thoughts, motivations, and behaviors and can play an important role in family business strategy and decision making. We, therefore, explore the process of discrete emotional response and the factors that elicit emotions of family members in the context of the family business system. Our discussion: (1) defines and differentiates emotions and related terms, (2) applies appraisal theory as a framework for understanding discrete emotions from the perspective of a family member in the context of the family business system, (3) identifies the consequences of discrete emotions, and (4) discusses areas of future research for examining emotions in family business systems.

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1. Introduction

Emotions influence thoughts, motivations, and behaviors, and have the potential to play an important role in the strategy and decision making of family businesses (e.g., Morris, Allen, Kuratko, & Brannon, 2010; Podoynitsyna, Van der Bij, & Song, 2012; Rafaeli, 2013; Stanley, 2010). Therefore, it is important to explore the process of emotional responses and the factors that elicit emotions in family members in the context of the family business system. While there is widespread agreement that family business systems are subject to the effects of emotional responses (Labaki, Michael-Tsabari, & Zachary, 2013a), relatively little research has examined the causes or tied these responses to decision making or organizational outcomes.

The traditional approach to studying family business strategy and decision making has taken a financial perspective, largely drawn from the financial economics and strategic management literatures (Berrone, Cruz, & Gomez-Mejia, 2012). For example, early research in family business emphasized the unique governance system present in family businesses. Due to highly concentrated family ownership and the alignment of the interests between shareholders and managers, family firms were identified for their unique governance regime (Amihud & Lev, 1999). The benefits of such a regime were often touted and researchers argued these benefits could reduce agency costs and improve organizational outcomes, such as financial performance (e.g., Anderson & Reeb, 2003; Villalonga & Amit, 2006).

However, recent research (e.g., Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Miller, Le Breton-Miller, & Lester, 2013; Zellweger, Kellermans, Chrisman, & Chua, 2011) suggests that the primary difference between family and non-family firms is not one of the governance or agency issues, but stems from family firms' motivation to make decisions based on nonfinancial or socioemotional concerns. Specifically, these scholars believe the "affect-related value that a family derives from its controlling position in a particular firm" (Berrone et al., 2012, p. 259), or their socioemotional wealth, affects these firms' strategic choices as the desire to capture and preserve socioemotional wealth becomes the reference point from which family principals will make decisions.

Similar to the socioemotional perspective, the concept of emotional considerations in family business systems has drawn increased attention as scholars have called for further study of the emotional context within which families make decisions about their businesses (Astrachan & Jaskiewicz, 2008; Labaki et al., 2013a). For example, Bjornberg and Nicholson (2008) refer to the notion of emotional ownership as a reflection of both the extent to which a family member identifies with, and is attached to, the family business, irrespective of their financial interests in the firm (Bjornberg & Nicholson, 2012). Similarly, Pieper's (2007) work on family and business cohesion highlights the fact that within both family and business systems, cohesion among members can be

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financially as well as emotionally motivated. Further, Astrachan and his colleagues (Astrachan & Jaskiewicz, 2008; Zellweger & Astrachan, 2008) define emotional value as the residual value above and beyond any financial value the family derives from ownership. Emotional returns include "achieving financial and non-financial business, family and individual goals (e.g., pride, self-worth, educational opportunities, family involvement/togetherness, opportunities for self/offspring, community recognition, and independence)" (Astrachan & Jaskiewicz, 2008, p. 143), and not achieving such outcomes. Tension, conflict, obligations, rivalries, and loss of leisure time are examples of emotional costs.

Previous conceptualizations of emotional considerations (e.g., socioemotional wealth and emotional ownership) in family business systems are important because they bring to light how non-financial considerations influence families' strategic decision making (Bjornberg & Nicholson, 2008; Gomez-Mejia et al., 2007). We expand on the discussion of non-financial considerations by considering appraisal theory and the role of discrete emotional responses of family members in family business systems. Thus, emotions can occur in response to either the family or business, or a combination of family and business (Labaki, Michael-Tsabari, & Zachary, 2013b; Rau, 2013). Cognitive appraisal theory suggests that emotions are elicited from a subjective evaluation or appraisal of a situation or event. According to appraisal theory, it is not the specific event that produces the emotion but the psychological appraisal of the event that elicits a discrete emotion (Lazarus, 1991; Ortony, Clore, & Collins, 1988). Thus, two individuals exposed to the same event may experience different emotional responses. For example, while one parent within a family business may experience pride when transferring managerial control of the family business to an offspring, the other parent may experience concern or remorse for having to choose one sibling over another. Specific patterns of appraisal, however, are associated with specific emotions that influence decision making and behavioral outcomes.

Thus, discrete emotional responses are valenced and specific affective reactions (e.g., hope, joy, anger) to the perception of situations (Ortony et al., 1988), whereas socioemotional wealth and emotional ownership represent more general feelings of belongingness, attachment, and identification (Bjornberg & Nicholson, 2008; Gomez-Mejia et al., 2007). Discrete emotions are the result of an evaluation of personally relevant stimuli, have a specific target (e.g., person, event, object), are more intense and relatively short-lived, involve physiological arousal, and often result in behavioral tendencies, such as aggression or withdrawal (Bagozzi, Gopinath, & Nyer, 1999; Johnson & Stewart, 2005). The study of discrete emotions is critical as specific emotions have been found to have differential effects on thoughts and behaviors compared to generalized positive or negative affect (e.g., Lerner & Keltner, 2000). Thus, the consideration of discrete emotions in the family business system allows researchers to assess and study antecedents as well as the specific cognitive and behavioral consequences of an emotional response. This approach also accounts for the complexity of the family business system.

There has been growing interest in the influence of emotions on strategy, decision making, and subsequent behaviors of family members in the context of family business systems and other contexts (e.g., organizations, consumers, and investing). Similarly, recent discussions in the behavioral strategy (Powell, Lovallo, & Fox, 2011) and strategy-as-practice (Jarzabkowski & Spee, 2009; Nordqvist & Melin, 2010) literatures have highlighted the lack of strategic decision making research at the individual-level. As suggested by Jarzabkowski and Spee (2009), more research on individuals whose emotions, motivations, and actions shape strategic outcomes is sorely needed. Consistent with this observation, we present cognitive appraisal theory as a framework for examining emotions at the individual level. We discuss the antecedents (e.g., appraisals) and consequences (e.g., cognitions and behaviors) of discrete emotions and their influence on strategic decisions within family business systems. Thus, the purpose of the current research is to advance the discussion and integration of emotions in the family business literature by providing a strong theoretical base upon which future scholars may build. Further, it provides examples of the types of issues typically faced by family firms and discusses how the emotions stirred by those issues might influence strategic decision making processes and outcomes. In doing so, our work extends the socioemotional wealth literature by suggesting how appraisals of socioemotional wealth might be influenced by emotional responses. Toward these ends, this article: (1) discusses, defines and differentiates emotions and related terms, (2) presents cognitive appraisal theory as a framework for understanding emotions from family members' perspectives in the context of family business systems, (3) identifies the consequences of emotions, and (4) discusses areas of future research for emotions in the context of family business.

2. Overview of terms and definitions related to emotions

To date, limited research (i.e., Labaki et al., 2013a; Morris et al., 2010; Stanley, 2010) has addressed specific emotions and the role they play within family business systems. For example, in their study comparing the personal experience of family founders and managers of startups, Morris et al. (2010) found that emotional experiences (e.g., excitement or passion) varied between founders and managers. This research, however, only identified how family and non-family business systems elicit different emotions in organizational actors but did not identify the causes or consequences of specific emotions.

2.1. Affect, mood, attitudes, and emotions

As suggested above, the term emotion has been widely used in family business research. However, before more rigorous and theoretically driven studies of emotions in family businesses can be conducted, it is critical to clarify relevant definitions and to distinguish between emotions and related states. The terms affect, mood, attitude, and emotion are related and have been used interchangeably in previous research (Bagozzi et al., 1999; Johnson & Stewart, 2005). However, these interrelated terms have different meanings and are conceptually distinct.

Affect refers to an overall mental process that includes emotions, moods, and attitudes (Bagozzi et al., 1999; Fredrickson, 2001; Johnson & Stewart, 2005). Affect is often conceptualized in global positive or negative terms and is considered an important and necessary characteristic of emotions and other affect-related feelings (e.g., attitudes and moods); however, it alone does not constitute an emotion (Fredrickson, 2001; Ortony et al., 1988). Emotions are a reaction to an evaluation of the environment related to a specific goal. They are based on the personal relevance and individual interpretation of the situation. Emotions often result in intense physiological arousal and are associated with actions to cope with or affirm the emotion (Bagozzi et al., 1999; Lazarus, 1991). In the case of emotions, we are referring to a specific or discrete emotional response (e.g., pride in the family name, anger at the unwillingness of offspring to be involved in the family business, or joy from successful generational transitions).

Moods are global or diffused feeling states that tend to last longer than emotional experiences and, unlike emotions, do not have a referent (Lazarus, 1991). For example, individuals can be in a good mood or a bad mood without knowing exactly why they are feeling good or bad. Furthermore, the affective reaction from an emotion is more intense and arousing than moods. Mood can also

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