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When is Ambivalence Good for Family Firms? Understanding the Impact of Family Managers' Emotional Ambivalence on Decision Making

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Abstract: It has been suggested in the family business literature that the pursuit of socioemotional wealth (SEW) has both a bright and dark side and these conflicting priorities can have a negative impact on the quality of decisions made by family managers. This paper presents a model which recognizes that ambivalence emanating from socioemotional wealth may also lead to high calibre decision-making under certain contexts. In particular, we explain how emotional ambivalence can affect the decision-making abilities of family managers. Although emotional complexity and the resulting ambivalence is seen as an undesirable situation, we argue that this could also result in positive outcomes under certain circumstances. More specifically, emotional ambivalence prompts leaders to adopt a broader perspective and consider several alternatives before reaching a decision, hence enhancing decision-making quality. However, we acknowledge that emotional ambivalence may also lead to an overly restrictive focus on the family's interests occasionally leading to inferior family-centric decisions.

Keywords: ambivalence, decision-making, family firms, socioemotional wealth

1 Introduction

Much of the literature on family firms has recognized both a bright and dark side that family involvement may bring to a business. While some prior research has shown a positive link between family control and performance (Anderson and

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Reeb 2003; Villalonga and Amit 2006), this association has been questioned by several scholars who have suggested that family involvement may distract from financial performance (Bennedsen et al. 2007; Bloom and Van Reenen 2007; Miller, Minichilli, and Corbetta 2013). Family business scholars have often emphasized that family firms are driven by non-economic objectives (Miller and Le Breton-Miller 2014; Vandekerkhof et al. 2018). While economic objectives are important, family owners are known to make decisions that preserve their socio-emotional wealth (SEW) which helps them to reinforce their control over the firm and continue to derive a sense of family identity from their business (Gomez-Mejia et al. 2007; Gomez-Mejia et al. 2011; Gomez-Mejia et al. 2014; Gomez-Mejia, Makri, and Larraza-Kintana 2010; Newbert and Craig 2017).

SEW is defined as the affective endowment that enables family owners to assert their authority over the firm, maintain attachment with the firm through the appointment of family members to key positions, and continue the dynastic legacy (Berrone, Cruz, and Gomez-Mejia 2012; Gomez-Mejia et al. 2017; Gomez-Mejia, Cruz, and Imperatore 2014). The emphasis on SEW in family businesses is seen as problematic due to the double-edged nature of SEW. For instance, prior research has shown that SEW concerns engender both positive and negative actions in relation to stakeholder management (Berrone et al. 2010; Cennamo et al. 2012; Cruz et al. 2014; Martin, Campbell, and Gomez-Mejia 2016; Martin and Gomez-Mejia 2014; Martin et al. 2017; Naldi et al. 2013). On the one hand, it has been argued that family businesses are less likely to make myopic business decisions and invest in distinctive capabilities leading to better firm performance (Miller and Le Breton-Miller 2006). On the other hand, some scholars have argued that SEW concerns may lead to perverse behavior within family firms. Given the emphasis on kinship ties within family firms, there are strong incentives to act self-interestedly (Gomez-Mejia, Nunez-Nickel, and Gutierrez 2001; Gomez-Mejia, Larraza-Kintana, and Makri 2003; Gomez-Mejia, Neacsu, and Martin 2019; Lubatkin et al. 2005) or focus on overly family-centric or restricted SEW objectives that often conflict with the long-term interests of nonfamily stakeholders (Miller and Le Breton-Miller 2014). These conflicting SEW priorities can be a source of ambivalence and emotional complexity for family managers and may affect the quality of decision-making in family firms.

Given the uncertainty that characterizes the business environment, scholars have argued that there are no known formal techniques for addressing top-level management problems such as reconciling SEW priorities in family firms because these are ill structured (Simon and Newell 1958). In contexts where no optimal solution can be inferred ex ante, adaptive decision strategies can be very valuable (Alby and Zucchermaglio 2006; Klein 1998). Adaptive decision-making involves solving problems creatively while dealing with evolving, uncertain, and unpredictable situations (Pulakos et al. 2000). It consists of high levels of situational

awareness and involves the ability to draw on this awareness to guide the formation of decisions (Hannah et al. 2013). We argue that the emotional complexity or ambivalence experienced by family managers can impact engagement in adaptive decision strategies. In addition, we present trust and psychological safety as two governance mechanisms in family businesses and explain how they can moderate the relationship between emotional ambivalence and adaptive decision-making.

2 Managing Ambivalence

Due to the conflicting SEW priorities stemming from a nexus of family and business imperatives, family business members may experience ambivalent emotions. Ambivalence refers to a state in which an individual experiences conflicting situations which give rise to emotions and attitudes that are complex and incongruous (Ashforth et al. 2014; Rothman et al. 2017). Ashforth et al. (2014) had identified four strategies for management of ambivalent emotions which include avoidance, domination, compromise, and holism. These strategies consist of moving towards, moving away from, or moving against the object of ambivalence (Pratt and Doucet 2000; Radu-Lefebvre and Randerson 2020).

While avoidance is a strategy that focuses on moving away from the object of ambivalence by suppressing the psychological pressure of ambivalent emotions to a tolerable level, compromise strategies involve moving towards the source of ambivalence by recognizing and partially honouring the two divergent emotions so as to facilitate an acceptance of ambivalent emotions. In contrast, domination strategies involve both moving towards and against the opposite emotions by either boosting one emotion (moving towards) or by diminishing the conflicting emotion (moving against). Finally, holism involves simultaneous acceptance of contradictory emotions with individuals moving towards the two opposite emotions. While the literature has identified strategies for managing ambivalent emotions, we think it is worthwhile to examine how boundary conditions that exist within the family business environment might influence the impact of emotional ambivalence on decision-making.

3 Governance and Emotional Ambivalence

Prior literature has recognized the interplay between trust and governance (Bradach and Eccles 1989; Eddleston et al. 2010). However, the mainstream literature on governance has focused predominantly on agency theory to explain behavior and control within firms (Cruz, Gómez-Mejia, and Becerra 2010; Jensen and Meckling 1976) and paid relatively less attention to the issue of trust. In a similar vein, the issue of psychological

safety has also been neglected in this literature (Vandekerkhof et al. 2018). Family firms are an appropriate context in which to study how trust and psychological safety can play the role of governance mechanisms. Indeed, the interplay between the family and the business can produce different types, levels and outcomes of trust in varied decision-making situations (Chrisman et al. 2007). As a governance mechanism in family businesses, trust implies an expectation that family members will not behave opportunistically and place the interests of others as equal to or ahead of their own (Eddleston et al. 2010). Trust also serves as a lens for interpreting behavior and can affect emotional regulation in social situations. In addition, psychological safety reflects a shared belief that the team or the organization provides a safe environment for risk-taking (Edmondson 1999). Individuals who work in organizations that provide a non-threatening environment would be more likely to take the risk of proposing new ideas or making unconventional decisions than individuals who work in an environment where such behaviors will lead to threats and penalties (West 1990). Hence, we argue that the impact of trust and psychological safety on the relationship between emotional ambivalence and decision-making should be further examined.

4 Ambivalence and Family Business Emotional Archetypes

The degree of SEW ambivalence may vary within different family business archetypes as classified by Labaki, Michael-Tsabari, and Zachary (2013). Labaki et al.'s (2013) typology comprises of enmeshed, balanced and disengaged family business archetypes. Enmeshed family businesses are characterized by very high levels of consensus and dependence among family members such that they are focused inside the family and have limited exposure to external perspectives. Such contexts would be characterized by lower levels of ambivalence due to the dominance of a singular family-centric perspective within the firm. In contrast to this, balanced family businesses are characterized by clear boundaries between the family and the business with a fine balance between closeness and separation and the use of both independent and shared decision-making processes (Olson 1989). In such contexts, we would expect ambivalence to be higher than in enmeshed family firms given the weight that is attached to both the family and the business systems. Nonetheless, the presence of professional norms and appropriate governance mechanisms would allow for a better management of this emotional ambivalence. At the other end of the continuum, disengaged family businesses are described as having rigid boundaries between the family and business systems such that each system becomes primarily focused on its own needs and wants (Zody et al. 2006). Family members within such

businesses are less likely to have shared goals with self-interest guiding the owning family's actions (Dyer 1986). The degree of ambivalence is at its most pervasive in these types of businesses given the differing interests, high levels of distrust, and constant conflict that define these businesses.

5 Family Managers and Ambivalence

Family managers who are often tasked with the responsibility of reconciling family and nonfamily centred SEW goals are prone to experiencing ambivalence. Indeed, prior research has recognized relationships as a source of ambivalence (Bowlby 1982; Rothman et al. 2017). Given the overlap of family and business systems within family firms, a strong emphasis on relationships, and the enduring trade-off between SEW and broader stakeholder considerations, there is likely to be a higher incidence of ambivalence among family managers. Maintaining relationships within a family firm context requires family managers to resolve the conflicting professional norms of financial success and stakeholder engagement against the family norms of altruism and generosity.

Ambivalence is often perceived as a condition that is undesirable and in need of a prompt resolution. It is said to result in negative outcomes such as narrow thinking (Rothman et al. 2017), indecisiveness (Sincoff 1990), and poor decision-making. However, it may also encourage greater cognitive flexibility which can familiarize family managers with divergent perspectives, help in developing situational awareness (Endsley 1995) and enable more adaptive decision-making (Lord, Hannah, and Jennings 2011; Zaccaro, Foti, and Kenny 1991). Also, when family managers convey their ambivalence, they will signal to their employees that they are flexible and willing to accommodate the concerns raised by their employees, hence leading to more adaptive responses and better decisions.

Next, we propose a framework that explains how family managers' ambivalence with regard to SEW goals will affect the quality of their decision-making. In particular, we explain how the degree of ambivalence experienced by family managers will affect adaptive decision-making. Furthermore, we also explain how the association between the extent of managerial emotional ambivalence and adaptive decision-making will be tempered by the boundary conditions of trust and psychological safety.

6 Ambivalence and Adaptive Decision-Making

Most family firms are faced with a dilemma whilst making strategic decisions as they are required to simultaneously evaluate the probable gains and losses of their

decisions in financial and socioemotional terms (Firfiray et al. 2018; Gomez-Mejia, Neacsu, and Martin 2019; Gomez-Mejia, Patel, and Zellweger 2018; Morgan and Gomez-Mejia 2014). Several family business scholars have suggested that family owners and managers tend to make decisions that are meant to serve the interests of the owning family (Miller and Le Breton-Miller 2014). We believe this may often be the case because family managers experience ambivalence which is triggered by competing logics where the objectives of the family are pursued along with the family firm's responsibilities to its other stakeholders. Prior evidence also suggests that in highly uncertain and ambiguous situations emotions may "outweigh rational considerations in decision-making" (Baron 2008, p. 331) and may push an individual towards one action instead of another (Stanley 2010). This is referred to as confirmation bias which implies that when family managers are faced with ambivalent situations, they will attempt to resolve their ambivalence by relying on one-sided information that supports the owning family's status quo whilst neglecting information that may refute existing beliefs (Clark, Wegener, and Fabrigar 2008).

Against this view that individuals will engage in narrow and simplistic thinking to ease their feelings of ambivalence, scholars have also recognized that ambivalence may have a very positive impact on an individual's cognitive flexibility. In particular, ambivalence can enhance individuals' cognitive breadth by promoting greater openness to a variety of perspectives (Rothman et al. 2017) and enable a more balanced consideration of the different alternatives before reaching a decision (Rothman and Melwani 2017). Thus, family managers can consider a number of choices in an unbiased manner allowing them to reasonably assess whether commitment to the original family-centric view is still necessary. Given that emotional ambivalence will deter family managers from making hasty decisions, they are more likely to take decisions that are based on the best available information, rational arguments and the overall suitability of the decisions in light of the family firm's goals (Carmeli and Schaubroeck 2006; Vandekerkhof et al. 2018). Therefore, we propose that family managers' ambivalence will either negatively or positively impact adaptive decision-making.

Proposition 1a: *Family managers' ambivalence will be negatively associated with adaptive decision making.*

Proposition 1b: *Family managers' ambivalence will be positively associated with adaptive decision-making.*

7 The Role of Trust in Family Firms

There is widespread consensus in the literature that trust is a psychological state that is closely associated with emotions (Dunn and Schweitzer 2005; Schoorman,

Mayer, and Davis 2007). Trust is defined as an individual's willingness to be vulnerable while interacting with another party and the expectation that the other party will not resort to opportunistic behavior even when such behavior is unlikely to be detected (Mayer, Davis, and Schoorman 1995). Some scholars have suggested that family businesses are more likely to be characterized by higher levels of trust because of the "shared family language" that is common in close family relationships (Davis, Allen, and Hayes 2010; Tagiuri and Davis 1996). When individuals working in a family business trust one another, they have strong incentives to work hard to maintain that trust and this would arguably place them in a better position to leverage that trust (Cruz, Gómez-Mejia, and Becerra 2010; Stanley and McDowell 2014; Steier 2001).

We argue that emotional ambivalence among family managers will lead to more adaptive decision-making in environments with higher rather than lower levels of organizational trust. This is because ambivalent family managers will be more inclined to make decisions that depart from the existing family status quo when there is more sincerity and willingness to be vulnerable to one another. Also, a high level of trust is associated with greater levels of stewardship in family businesses (Davis, Allen, and Hayes 2010), thus leading to decision-making that shows broader stakeholder engagement and serves the long-term interest of the family business.

Proposition 2a: *Organizational trust will mitigate the negative effect of family managers' ambivalence on adaptive decision making.*

Proposition 2b: *Organizational trust will strengthen the positive effect of family managers' ambivalence on adaptive decision-making.*

8 The Role of Psychological Safety

We argue that family managers' ambivalence will result in more adaptive decision-making in psychologically safe rather than unsafe contexts (Pratt and Barnett 1997). Psychological safety refers to an environment that is characterized by mutual trust and considered safe for interpersonal risk-taking. Such a context might facilitate a greater willingness to adopt new behaviors that drive change because it alleviates concerns about others' reactions to erroneous decisions. In contrast, an environment that lacks psychological safety is associated with the fear of making mistakes and in such contexts suggesting a new idea may lead to severe criticisms and penalties (West 1990).

We propose that a climate for psychological safety will function as a moderator of the relationship between family managers' ambivalence and adaptive decision-making. Since, much of managerial work is organized in teams it is important that there is a willingness among members of the top management team to respect the opinions of their colleagues so that individuals who propose new ways of working feel safe while doing so despite the presence of different positions (Wowak, Gomez-Mejia, and Steinbach 2017). Emotional ambivalence indicates the cognitive flexibility of a family manager and while this type of flexibility is highly effective in stimulating debate and discussion, a climate of psychological safety may enhance one's willingness to proactively voice their concerns (Edmondson 2003). Although team members may have different perspectives, psychological safety creates a context where every viewpoint is valued, thus creating an environment of respect that encourages family managers to listen seriously to other organizational members and positively affects decision-making quality (Anderson and West 1998; González-Romá, Fortes-Ferreira, and Peiro 2009).

Proposition 3a: *Psychological safety will mitigate the negative effect of family managers' ambivalence on adaptive decision making.*

Proposition 3b: *Psychological safety will strengthen the positive effect of family managers' ambivalence on adaptive decision-making.*

9 Future Research Directions

We have developed a framework which identifies two boundary conditions that impact the relationship between family managers' emotional ambivalence and adaptive decision-making: trust and psychological safety. In future, family business researchers might want to test our propositions on a sample of family businesses that represent the different emotional archetypes. It is important that we focus on the types of governance mechanisms within each of the family business emotional archetypes and examine how the permeance of boundaries between the family and the business systems affects managerial ambivalence and impacts decision-making. The degree of trust in the different family business emotional archetypes can also impact the relationship between family managers' emotional ambivalence and decision quality. Likewise, the impact of psychological safety as manifested in the environments of these firms should also be examined. While there are measures within the literature that can be utilized to gauge trust, psychological safety, and decision quality, including appropriate control variables (in the analyses) such as

the competitive context and the strategies of the family firm will present a major challenge. Significant challenges will also be involved in accurately classifying family firms into different emotional archetypes. In view of these challenges, future research on the topic could explore the potential of qualitative methods including case studies, interviews, and ethnographies to examine the complex social realities that are often seen in family firms (Kammerlander and DeMassis 2020; Labaki 2020). Additionally, combining qualitative and quantitative approaches might enable us to reach a more comprehensive understanding of emotional ambivalence among family managers and unravel how the intricate processes of trust and psychological safety impact its relationship with decision making.

10 Conclusion

Despite the popularity of SEW as a dominant paradigm within the family business literature, some scholars have raised concerns about its predominant focus on family-centric goals (Chua, Chrisman, and De Massis 2015; Miller and Le Breton-Miller 2014). However, we have argued that this emphasis on family-centric goals may be explained by the emotional ambivalence experienced by family managers who often perceive SEW as the main reference point while making decisions. Given the nature of the family business system where non-economic objectives clash with financial considerations, family managers are likely to develop emotional ambivalence due to the conflicting objectives of their firms. While for some family managers, this ambivalence might lead them to draw upon deeply ingrained cognitive patterns that prioritize family-centric decisions, we propose that emotional ambivalence among family managers can also lead to high quality decision-making in family firms. We have also explored the influence of two forms of governance mechanisms in family businesses – organizational trust and psychological safety – to explain the association between ambivalence and decision-making quality. We hope this framework will resonate with family business scholars and inspire future scholarship that will continue to enrich the SEW perspective.

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